competent for that person to submit a resolution to that effect, but I do not think we should continue this discussion at this time, we should get on about our business, and I would move, Mr. Chairman, that we call the next witness.

Mr. VALLANCE: Before you do that, Mr. Chairman, I would point out with all deference, that we are dealing with the Bank Act, and Mr. McGeer in no uncertain way on Tuesday dealt with certain sections of the Bank of Canada Act and if what he said is not true, someone should point it out, but I think it is very germane to the whole subject of discussion. I would go further and suggest the bankers should cross-examine Mr. McGeer or bring on learned counsel to do so, otherwise they must accept what he said.

Mr. HACKETT: If Mr. McGeer says that he will finish in ten minutes do you not think, Mr. Chairman, that we would save time if he go on now?

The CHAIRMAN: I have no guarantee that that will happen, I do not know when he will finish.

The WITNESS: When I give you my word that I will finish in ten minutes that, surely, ought to be enough, Mr. Chairman.

The CHAIRMAN: Then go ahead.

The WITNESS: What I wanted to bring to the attention of the committee is this—and with all due deference to the committee, all public men should be in study groups to-day, and there is no place where monetary problems should be more intensively studied than in such a committee as this where men are attempting to bring into being the terms of the legislation that is going to rule the monetary destiny of Canada for the next ten years. I know well that men are quite competent to form their own ideas, and when they do form ideas they do not want the ideas of other men, but I want to give this committee one fundamental principle on which this Act was based and which, if it was understood and appreciated, would probably affect the whole trend of the future. That is, the theory that governments must redeem all governmental expenditures by taxing the people to finance the cost of government. That theory is unsound and has no foundation in fact. That is the thing that I want to get to your committee. Let me define it clearly: The theory that a government must redeem its expenditure on governmental service by taxation is unsound and has no foundation in fact.

Why has that theory fastened itself into our political, and social, and credit and taxation economy? It has come simply because we formerly financed governments by the issue of promises to pay which were ultimately "settleable" in gold, and to pay in gold the government had to buy gold in the open market, because no government owned and operated a gold mine. Governments issue a silver coin, or a gold coin or a copper coin with a mere declaration that it is so many cents, no promise to pay and no promise to redeem. But you issue your paper money in terms of "the Dominion government on demand will pay one dollar." Now, if that money were issued, that is, your legal tender paper currency were issued in the form of "the Dominion government, this is one dollar or $50,000, and no promise to redeem in gold," then national currency in the form of paper legal tender money would circulate indefinitely in the same way that silver coins circulate. Once the British parliament passed the Act of 1925 declaring the pound sterling not convertible into gold and the British people used that pound sterling as successfully as they had used a pound sterling convertible into gold, the convertibility of paper currency and credit into gold is a fallacy established. Now, your government has thirty thousand million dollars worth of real assets, and the bankers tell you that the Government cannot issue more than two hundred million dollars in money without danger of inflation yet they the banks are issuing two thousands of millions of dollars in the form of promises to pay money to their depositors against three thousand million dollars of bank investments and assets. Now, gentlemen, just take a

[Mr. G. G. McGeer]