

of money that was used in pre-civilization periods were money by the law of custom. When we create money, we do it by enacting laws in parliament. You can't have money without law. When we declare that so much silver, minted in a certain way, to be fifty cents and agree to put it out as a medium of exchange, it comes into circulation and it circulates indefinitely until it is lost or comes back to the government as payment of 50 cents' worth of taxes. It serves mankind, and it serves the individual's ideal of money successfully. The individual's ideal of money—quite irrespective of what it is made of—is this: "I want something that I can conveniently handle, whose buying power will remain uniform over an indefinite period of time." We now find that paper bills and silver coin of no intrinsic value are just as valuable as money as gold coins or paper bills convertible into gold ever were.

We have now established the possibility of using token currency successfully, but we only use that as petty cash, for current out-of-pocket expenses. For the bulk of our transactions we do not use gold money or token currency. We use cheques, transferring bookkeeping entries that are not redeemable in either money or gold. If it were not for the fact that it is more convenient to put your hand in your pocket and get a dime for a cup of coffee, you would write a cheque for everything; because the cheque system is the most efficient system of consummating a monetary transaction that we have yet developed; and that is a product of education. We educated men sufficiently to permit them how to read and write cheques. We gave them elementary teaching in arithmetic. They gained an understanding of simple accounting, and it was not very long before they adopted the chequing system and made it a universal practice. In 1929 our total cheque transactions in our banks were \$46,000,000,000 in Canada. Chequing transactions in the United States totalled \$983,000,000,000. If credits can be issued by banks and successfully used as a substitute for money, why should a government be short of money? Because, mind you, these banks that issue this thing are the creatures of the government. You pass a bank act, and you authorize the bank to set up a bookkeeping system. You authorize that bank to print money, printing press money, no gold behind it. Red hot off the printing press, it can be exchanged for interest bearing bonds. Your banker can do this. He can go to a broker and say, "Yes, I will give you credit in the bank, and you can underwrite national government bonds, and I will authorize you to write a cheque in favour of the government. You can buy its bonds with my bookkeeping entries." He does it right along. How does he do it? The banker says, "No, I don't do that." All right. How did he finance the war? We were told when the war came, that it could not last long, because there was not money enough in the world to finance it. Why, we could have financed ten wars with the system under which they were operating, and all the time we were growing richer in bank deposits. That is exactly what happened. We had \$1,000,000,000 in bank deposits in 1914, which was far in excess of our gold reserves. It was spread out on the basis of nearly 20 for one then. Our bank deposits were all loaned out in debt claims, and we were bankrupt in 1913. From one end of Canada to the other there were soup kitchens, men without employment, and business was in disaster. Thousands of men were in destitution then just as they are to-day, and what happened when the war came? We didn't have any trouble in issuing a government contract for war supplies with enormous profits to the war contractors included. That government contract was taken down to the bank, and an over-draft or a bank loan was advanced against that security. Deposits were created, and war contracts were financed. As those deposits accumulated, brokers underwrote bonds with bank credit, and they were washed through and distributed among the public. Now when the public is being washed out of its money, its bonds are drifting back to the banks to wipe out what? To wipe out over-drafts, to wipe out loans. This enormous accumulation of high grade securities in the form of national bonds, provincial

[Mr. G. G. McGeer]