

We might change our currency, change the name of our monetary unit from the dollar to something else, to clear up the confusion that is in the minds of some people. We might amend the Currency Act and change the name of the dollar to crown or shekel or some other name. To have a Canadian "crown" quoted in the United States at less than an American dollar should not alarm the people of either country. If the Canadian crown was worth only fifty cents in the United States that would not give them so much concern as if our dollar was worth only fifty cents there. Our dollar is worth one hundred cents in this country because the law makes it legal tender for that amount, but once the Canadian dollar or any other monetary unit gets outside of Canada its value is fixed in the foreign money market. It becomes a commodity, in other words, and the price of our dollar goes up and down in New York according to the law of supply and demand, just as the price of wheat in Winnipeg goes up and down depending on whether the supply or the demand is the greater.

Money is distinctly national in character. Every country has its own monetary laws and establishes its own monetary unit by law. Quoting John Maynard Keynes, from memory: "Money is that which the state may from time to time fix as legal tender for all money contracts." That is the substance of what he says, and the same idea may be got from any other writer on this subject. Knapp says in his *State Theory of Money*: "The soul of currency is not the material of the pieces but in the legal ordinances governing their use."

In Canada on the present basis we can have inflation amounting to hundreds of millions of dollars without issuing another dominion note. The inflation the world has suffered from in the main, the inflation from which we suffered in Canada from 1925 to 1929, and the deflation since, has all been done on practically the same amount of gold, with comparatively little change in the amount of notes issued. The thing that varies so much is the credit. On the same amount of gold we may have an increase of 25 or 30 or 40 per cent in credit, and credit is 90 per cent of the money we do business on. An inflation of 30 per cent in credit is greater than a 50 per cent increase in note circulation. Notes are a very small percentage of our money.

I am sorry that this debate came on before a return that I had moved for was brought down. It asked for the total bank loans in Canada, the total deposits, bank notes out-

[Mr. Coote.]

standing, dominion notes outstanding, advances under the Finance Act, and gold reserves in Canada. If I had that return I think I could show that the amount of bank credit outstanding, which is the bulk of our money, has varied by hundreds of millions of dollars with very small variations in the amount of gold in the treasury.

Mr. YOUNG: What caused it to shrink?

Mr. COOTE: The action of the banks.

Mr. YOUNG: What action?

Mr. COOTE: Because we were on the gold standard, and the world's goldmongers, or the world's big bankers, decided on a deflation policy, and as soon as they practised deflation we had to follow suit in Canada, or else we go off the gold standard immediately because we could not meet foreign demands for gold if we refused to deflate to the same extent that they did.

Mr. YOUNG: We are off the gold standard.

Mr. COOTE: Yes, because we cannot maintain the convertibility which the Prime Minister says is so necessary.

Mr. YOUNG: Then why the contraction if we are off the gold standard? You cannot blame the gold standard for the contraction.

Mr. COOTE: We contracted long before we went off the gold standard, and we have continued to contract ever since because we have been endeavouring to stick to the gold standard. We have not legally been off the gold standard except that we have prohibited export of gold. Our notes are legally redeemable in gold on demand, and as long as that is so we are on the gold standard, and the government is liable to deliver gold to anyone who presents notes at the office of the Receiver General. That is in the Dominion Notes Act. Of course, the government is above the law. I do not think it should be; it should obey the law. In 1914 the government was faced with a similar situation, but of course the banks were pressing the government at that time. They came to Ottawa on a Monday afternoon. The cabinet held a special meeting that night, and suspended the redemption of notes in gold, relieving the banks of the liability of meeting their obligations in legal tender, and giving them power to meet their obligations in their own notes. That was all done by order in council passed that same night. A special edition of the Canada Gazette was issued, with the printing bureau working all night, and next morning