

of gold has no relation whatsoever to the goods that have to be handed over and the services that have to be rendered. This is clearly illustrated if one looks at the present situation in Canada. We have on hand approximately \$78,000,000 of gold and about \$175,000,000 of dominion notes outstanding. In February the deposits in our savings accounts amounted to about \$1,397,000,000, and current bank loans were approximately \$1,000,000,000. Theoretically those loans would cancel the deposits, but again, theoretically speaking, everybody with a savings account is entitled to draw his money out if he wants it, and if so, he is entitled to demand dominion notes. If we were on the gold standard—we are not—he would be entitled to demand gold for his dominion notes, and we therefore have this huge credit structure built up on merely \$78,000,000 worth of gold, an amount which bears no relation whatsoever to the structure.

My second complaint against gold as a money basis is that no provision is made in gold for the retention of the national income when debts are being deflated. May I make myself a little clearer on this point? After all, every time a bank loan is repaid, money—purchasing power—is taken out of circulation unless at the same time as that bank loan is repaid, a new loan is taken out. That is a matter which I think we should all recognize; we can follow it through very simply. Under our present arrangement, let us suppose that the supply of the products of an industry is too great and that the demand is not there. What happens? The industry lays off men, who join the ranks of the unemployed and thus lose their purchasing power. In losing their purchasing power, they are no longer taxpayers; they even have to be kept by the state and become a charge on all other taxpayers. Their unemployment—no purchasing power—further aggravates the situation. That is what is happening now; it has happened all along; it has happened in previous depressions. It explains business cycles, because when debts have to be paid out of earnings, without a new loan being made, the process of deflation is started.

What does the policy of “easy money” mean? I look forward to such a policy. I was glad to hear the Minister of Finance say that the government was prepared to reduce the interest rate on postal savings, but while the banks have been talking for some time of reducing their interest rate on deposits, it is hardly possible they will do so unless there is cooperation throughout the country. The provinces must reduce interest rates on their

deposits because it is unreasonable to expect the banks to reduce their interest rates while provinces, which are in competition in taking public funds into their savings, do not do so also. If this adjustment is not forthcoming in the not distant future and if there does not appear to be cooperation between these various bodies, I hope the Minister of Finance will take advantage of the provisions relating to “peace, order and good government” so as to bring about that cooperation. Why do we look forward to this policy of easy money? Is it only because we think we will be able to pay our debts more easily, or is it not also because it will be easier for us to go into debt? After all, every credit is a debt; is it not a fact that we are waiting for somebody to go into debt in order to get business going and thus clear away the depression?

Another objection that I have to gold is this. With gold as a basis of money, having regard to our present available supplies, it seems to me it is dependent upon a contracting and expanding body of unemployed labour for stabilizing the price level. What I mean is this: under the gold standard, if the supply of the products of industry is too great for the demand, men are laid off. It is expected then that production will diminish to some extent, and when it does catch up again, if it does, if we do not run into another cycle of deflation and depression, we expect the men to be re-employed to meet the new demands for production. I should like to spend more time in registering one or two other points in this connection, but I must pass on in order even roughly to cover the field.

It seems to me that with gold as the money base there is only one logical way of solving the problems of a depression or period of deflation, and that is by putting everybody—all the unemployed—to work in the gold mines. I cannot see any other way. I can see ways of relieving the situation, but I cannot see the solution. Let us assume for a minute that all the provinces in Canada had potential gold mines. Then the logical thing to do when a man became unemployed would be to put him to work in a gold mine, to produce the money base. The result would be that Alberta gold would be sent to the Minister of Finance and he could issue new bills against it. That would create new purchasing power, and that is the only way in which he can create it. This in turn would stimulate industry and national income would be maintained. If all the countries of the world had potential gold properties where they could put their unemployed to work the depression would be solved quickly under the gold standard; but they do