

that gold is required as the actual basis of internal currency, for the maintenance of an entirely disconnected gold reserve for exchange purposes. The rigid linking up of gold and currency which compels the contraction of domestic credit is an objection to a system no longer required to maintain public confidence.

I wish to refer my hon. friend to the quotation just made by the hon. member for Macleod directly from the Macmillan report. I find also on page 66 of the Macmillan report the following:

In the third place, it is not necessary that the volume of note issues should continue to be regulated, as it is now, by reference to the amount of gold held in reserve.

Again on page 123, subsection (iv) of article 289:

There is also a further principle of central banking of a somewhat different character which must be observed if central banks are to be in complete control of the situation, namely, that central banks must not be unduly limited in their power to expand their deposits otherwise than against a corresponding increase in their holdings of gold or the equivalent of gold.

The sense of the report all the way through, as I have read it—and I have read it more than once—is practically, as advocated by Sir Basil Blackett, that gold is no longer required as a basis for internal currency, but only as a basis for meeting maturing obligations.

As regards the bill, to my mind it is a complete anomaly. It provides:

Dominion notes shall be redeemable in gold on presentation at branch offices established, or at banks with which arrangements are made for the redemption thereof as hereinafter provided. The governor in council may from time to time, and for such period or periods as he may deem desirable, suspend the operation of this subsection.

In my opinion the governor in council, under this bill, is taking power to do something that has been in actual operation for several years. I regret I missed some of the debate this afternoon, but the Minister of Finance suggested that this was a bill that was more or less hand in hand with the Export of Gold bill of last year. I fail to see any close alliance between the export of gold and the suspension of the redemption of dominion notes in gold. I wish to differ from my hon. friend from Macleod (Mr. Coote) who said this afternoon that this was the final abandonment of the gold standard. If he means the gold standard in the technical sense as it is known to economists and technicians, we abandoned it in the autumn of 1929. We abandoned the parity of gold with currency and when we inferentially, by arrangement with financial institutions, pro-

hibited the export of gold, we were off the gold standard. It is quite true that since that time we have been on a gold exchange basis with regard to the alleged gold backing for our currency, which is supposed to be a 40 per cent backing, but was 39.3 when I got the last report from the department; but here we have in practice an actual abrogation of the terms of the statute because dominion notes have not been redeemable in gold since we went off the gold standard, since before October, 1931. Now the Minister of Finance is asking the house to give to the governor in council power to do something they are doing now without any authority whatsoever, just as the government in 1929, without availing themselves of the provisions of the Finance Act, effectually prohibited the export of gold by arrangement with banking and financial institutions and without an order in council under peace, order and good government legislation. So we have had a violation of this section in practice possibly by both administrations for the last three or four years. Now the government by this bill is asking the house to give the governor in council power, at whatever time it sees fit, to suspend the redemption of dominion notes in gold. We should do one thing or the other: keep the statute in force as it used to be and see that it is legally observed, or eliminate the clause altogether and do what the hon. member for Macleod suggests, namely, effectually abandon the gold standard in so far as gold is required as a basis for our internal currency. We must separate fundamentally the gold exchange standard as a basis for our internal currency and our monetary gold stocks as a basis for meeting with goods and services our external obligations as they mature.

Mr. COOTE: I should like, in reference to what the hon. member for Vancouver Centre has said, to say that I do not think I said this afternoon that we were now abandoning the gold standard legally. Prior to this time we had been legally on the gold standard except for the export of gold, but actually we had been off it. I would like to see us actually and legally off it; I would like to see legal conditions brought into accord with actual conditions.

If I might, I should like to come back to the practice in force since September, 1931. In a return brought down lately, number 239A, I find that the following telegram was sent by the Department of Finance to all assistant receivers general in Canada:

September 22, 1931.

Make no payments in gold more than \$1,000 without instructions from Ottawa. Wire daily