of Finance now to take authority to suspend redemption in gold, although the government did have authority in 1931 and refused to exercise it. One of the objections I have always taken to the policy pursued by the government under the very wide powers which were given to them under the act of 1931 is that they did not exercise this power when they should have done so.

One important question which has arisen here this afternoon is that of meeting our foreign obligations, and to what extent, if any, the value of our dollar in gold countries affects our ability to meet those obligations. First of all I want to say that the value of our dollar in New York is determined by the supply of and the demand for foreign exchange. It is decided for all practical purposes on the New York exchange market; it goes up or down according to the supply of and the demand for this exchange. The supply arises from several different sources, mainly our exports of goods which are sold for foreign exchange. The proceeds of our exports are always available to purchasers of foreign exchange. The supply of and demand for our foreign exchange are of course affected by the sale of foreign securities by Canadians or the purchase by foreigners of Canadian securities or the sale of our securities by foreigners. We have no way of controlling this. So far as confidence is concerned and the extent to which confidence affects the value of our dollar in New York, this is mainly in connection with the transfer or investment of capital, the sale and purchase of securities by people in Canada and outside, the transfers which must be made because of such transactions. Confidence after all depends upon our record in meeting our obligations. If we meet them in gold, regardless of whether we have gold behind our internal currency, that will largely determine the confidence of investors in New York. As was stated by Viscount Snowden, when England abandoned the gold standard, although they abandoned redemption of notes in gold—and I say to the Minister of Finance that he is quite correct in what he said regarding that act—they simply suspended the act until such time as the government of England might take further action by order in council. Mr. Snowden said they would continue to meet their foreign obligations in the terms in which they were due. But they did make a definite suspension of redemption in gold, so that legally the Bank of England the next day was not required to redeem its notes in gold. Canada, on the other hand, has been legally in the position of being liable to redeem its notes in gold, and we have refused to do it.

If the government would grant a fiat to anyone to whom they have refused to pay out gold on demand, or if we were in the position to go to the court and get an order compelling the Receiver General of Canada to obey the provisions of the Dominion Notes Act, then I think some of the officers of the Receiver General would have to submit to imprisonment or something of that kind, or pay over the gold. The government has simply overridden the law in that respect, and it is well that the law should be changed; it should have been done eighteen months ago. Mr. Snowden in his speech said that it was not the intention of the government in England to evade meeting their foreign obligations in gold when expressed in terms of gold, and England continued to meet her obligations in terms of gold. So has Australia. Australia has abandoned gold. She has invested part of her reserves in sterling and she has met all her foreign obligations and the interest on them in gold.

Mr. BENNETT: She has ninety million pounds of floating debt.

Mr. COOTE: But her bonds are selling at a very high rate in England in spite of it.

Mr. BENNETT: The last issue was not successful.

Mr. COOTE: Australian government bonds, as I quoted from an Australian paper the other day were selling at more than par in their own country.

Mr. BENNETT: In New York Australian five per cents are 74 and comparable Canadians are between 95 and 100.

Mr. COOTE: That is not assisting Canadians to meet their foreign obligations because, as I said before, our foreign obligations are met by the export of goods which are sold for gold or foreign currency, and discriminating investors in the United States or anywhere else must look to the future to see whether we are going to continue to meet our liabilities or not. Now in order to meet our liabilities we must maintain internal prices at a level where producers can produce at a profit or at all events get the cost of production. Otherwise they will go out of business, and when they cease to produce we have just that much less to export and sell and we can buy just that much less foreign exchange with which to meet our foreign obligations. If we are going to pay interest and principal on our debts outside this country we must export the goods in order to get the gold to pay over to the holder of the bonds.