In support of what I have said in regard to loans creating money I should like to quote from one who has already been quoted here to-day, Professor Soddy of Oxford. He says:

1. Money is printed or written into existence by the bank.

2. It enters circulation as a loan to somebody.

3. It is then spent and then becomes a deposit in the name of the receiver.

One can readily see therefore that the greater the loans made, the greater will the deposits grow, and on the other hand, the greater the cancellations of loans the greater will be the drop in the total amount of deposits.

The Right Hon. Reginald McKenna, of the Midland Bank, England, states the case as follows:

The amount of money in existence varies only with the action of the bank in increasing or diminishing deposits. We know how this is effected. Every bank loan creates a deposit and every repayment of a bank loan destroys one.

Just to round out my argument I should like to quote, in spite of the fact that this passage has already been quoted to-day, a few lines from the address of the hon. Secretary of State (Mr. Cahan), to the Canadian Club at Toronto on November 13, 1933. He said:

On September 30 last the notes in circulation of all the Canadian chartered banks amounted to $141,000,000, and their total liabilities aggregated $2,849,000,000, or over twenty times the amount of their note issues.

The prevalent conception that bank deposits may only be created by actual deposits of specie, or its equivalent in dominion notes or foreign exchange, is quite erroneous.

I am very glad indeed to have such a well-known public man as the hon. Secretary of State come to our support in that statement.

I wish now to give four reasons for what I consider the breaking down of our present economic system.

First of all I would say that it has failed because of the private control of money and credit. Parliament has allowed it to drift into private hands which handle it entirely as a private business, with the profit incentive. Banks can increase or decrease to an alarming extent the amount of money in circulation through the control they exercise in regard to the issuance of credit, and by increasing or decreasing the amount in circulation at any time they can increase or decrease prices. Financiers, therefore, have more to do to-day with regard to increasing or decreasing prices and making business better or worse than has even the federal government in this country.

Secondly, they have attempted to base the currency on gold. We all know that gold is simply a fair weather standard. It has never operated when a time of stress came. Special legislation had then to be passed, as in 1914, to enable the banks to pay their debts in their own notes and to do away entirely with paying out gold. I am very glad that the public generally to-day recognizes that gold is not necessary so far as our internal money is concerned.

Thirdly, the system is debt-creating, and in that connection we have only to look at the debts which this country is carrying, debts created in some cases, it is true, for making permanent improvements, but debts which the federal government should not have incurred; because the duty of the government should be, not to borrow, but to lend.

I should like to put a question to the house with regard to interest. How is it possible to pay the interest on loans? How is it possible to pay the aggregate of loans, plus interest, without creating additional debt to meet the interest on the loans already made? That is one reason in my opinion why debts, both public and private, are increasing so rapidly.

Fourthly, the total prices under our system to-day are always greater than the total costs. That being so, it is impossible to get rid of our total production at any given time, with the result that if we have a surplus we have to find other ways of getting rid of it. There are two ways in which we generally try to do so. One is to sell that surplus on time. We know that the United States of America probably went further in that respect than any other country, by selling goods on time until they had a pyramid of goods sold on time sales to the amount of some $6,000,000,000, and then the whole thing crashed like a house of cards.

The other way is to export the surplus. But if we have not sufficient money at any given time to buy a surplus of goods that are made, we have not the money to buy the imports which may enter the country in exchange for our exports. This naturally leads to every country doing everything it can to interfere with the natural flow of trade in its anxiety to export more goods than it imports, and there you have your economic war, which ultimately leads to military warfare.

I should like to point out four particular things that have happened in this country to which I think we should give some attention. I am not going to deal with the Finance Act this afternoon because it is a large subject and is deserving of considerable time and study. I shall only make a brief