

Mr. EULER: Would you have refused, if permission had been asked?

Mr. RHODES: I say to my hon. friend from North Waterloo that the department has endeavoured jealously to guard our gold supply.

Mr. STEWART (Edmonton): I had intended to ask the minister a similar question. If that is the case, the department were refusing not on the ground that they refused to redeem in gold, but on the ground that they would not allow export. So it is not a fact that during the period of suspension of export they have actually been refusing to redeem their notes in gold.

Mr. RHODES: That has been largely the effect, Mr. Chairman. Of course, the committee will readily understand that if there were not an embargo on the export of gold, and were it not for the fact that it could only be exported under licence, our gold supply in Canada would not last one day; there would not be a dollar left.

Mr. STEWART (Edmonton): But we are not discussing that point. The point I wish to get clear is this: During the period of suspension of export were the government refusing to redeem their notes in gold? I understand the desirability of prohibiting export, and having the government control the gold supply. On the other hand, the government have a contract with the holders of the notes. And whether or not export would be allowed does not appear to me to be an important factor. The point is: Did the department refuse to redeem notes in gold, according to contract set out in the Finance Act?

Mr. RHODES: As I said to the hon. member for Macleod, I should not like to answer the question categorically. I know that in one instance not long ago we redeemed notes to the extent of some \$5,000, but the circumstances were regarded as rather unique. Even if we did not refuse, the operation of the Gold Export Act is sufficient to render nugatory the provisions of the statute for the redemption in gold, because it would be of no use to the individual to carry gold if he could not export it.

Mr. YOUNG: Could he not sell it at the market value?

Mr. RHODES: Not in the form of coin.

Mr. EULER: Ordinarily I would judge that people do not demand gold. Ordinarily if they have federal currency or bank currency they never question it, and would not demand

gold. But I was going to ask the minister—perhaps he does not desire to answer the question—whether, due to recent difficulties in United States banking operations, people in Canada holding federal currency did not feel quite so certain that our currency, that is, bills, bank notes or federal notes, were absolutely reliable and had any value? They might think that gold would be a much safer commodity to hold. I was wondering whether at that time applications had been made to the Department of Finance to pay in gold or to redeem in gold some of the federal notes?

Mr. RHODES: I am very happy indeed to answer the question of the hon. member. As a matter of fact I am glad he has asked it, because in the answer will be found a tribute not only to the sanity of Canadian people but to their absolute belief in the stability of conditions in Canada. I am happy to answer that I came across no evidence of any kind indicating the slightest change of attitude on the part of any individual or company arising out of or even coincident with the situation which developed in the United States. I am speaking from memory, but I think with accuracy, when I say I do not recall a single request for the redemption of notes in gold during that period.

Mr. MALCOLM: Can the minister inform us if his gold reserve represents one-fiftieth of an ounce of gold for every dollar of dominion currency in circulation?

Mr. RHODES: The figure I have in mind—I am not speaking from the record—is that we have the full gold cover. With respect to our total issue we have that figure which is generally regarded as adequate, namely, about forty per cent.

Mr. EULER: In connection with the gold reserve, I understand that, under our act, for the first \$50,000,000 of federal currency there must be twenty-five per cent gold backing; and above that, dollar for dollar in gold. I would like to ask the minister upon what principle that percentage is fixed. Is it purely arbitrary? Why, for example, is it twenty-five per cent up to \$50,000,000; why is it not twenty per cent, or thirty per cent, or some other percentage? And why at the \$50,000,000 point does the requirement become dollar for dollar? These are questions which a great many people are asking. I have wondered about them myself; perhaps the minister could give us a little lecture on monetary economics.

Mr. RHODES: The minister admits in all humility that neither as an individual nor