

Just here I should like to make my stand clear in reference to money being put into circulation. Often it has been charged by hon. members, I believe quite innocently, that we in this corner of the house want unlimited inflation, unlimited amounts of money put into circulation. I want to say quite plainly, speaking for myself and those around me, that in not one single instance in the past ten or eleven years has any member of this group advocated uncontrolled inflation. However, I do stand very definitely for sufficient money to be put into circulation to carry on business and enable all goods and services to be exchanged that are made and needed.

Mr. ERNST: Hear, hear; hence my question.

Mr. SPENCER: Until we do get that condition we have not sufficient money in circulation. Referring again to the circulation of gold and the fact that those debts payable in gold can be met, I have only to point to the world debts which are payable in gold. These debts total something like four hundred billion dollars, whereas there is only eleven billion dollars of gold in the world. Sometimes it is necessary to point out that money, or credit, is made largely in three ways; we have the mint, the printing press, and the banker's ledger. From the mint we have only about \$32,000,000 or \$34,000,000 of subsidiary coin; from the printing press we have obtained only a small amount of the money or purchasing power compared with the total in Canada. But, as was pointed out by the hon. member for Macleod, there is practically no limit to the extent to which the banker may go in extending and controlling the credit of the nation. We impose very severe penalties indeed upon anyone who tries to increase the amount of money in circulation, whether it is by way of one dollar bills, five dollar bills or twenty-five cent pieces; we call such people counterfeiters. A bank, however, through its bookkeeping system, can bring into existence thousands or millions of dollars of new money, drawable by cheque, simply through taking securities as collateral, and nothing is done about it. But when this new money is put into circulation it must have the effect of altering price levels, and this is where we base our complaint with regard to so much power being placed in the hands of private corporations. I think this is why we need a federal bank in the worst way. The other day someone said to me that the Finance Act is like a slot machine; there are ten banking houses in Canada who can bring securities at any time and get in return

[Mr. Spencer.]

dominion notes. In so doing the price levels must be affected, and this is something that should not be left to private institutions.

In conclusion, Mr. Chairman, I should like to put on record a statement by Professor Soddy of Oxford, a well known critic, with regard to the financial problem. He said:

Another and most important fact to be emphasized is that virtually all the money in the hands (or banking accounts) of the community originally came into existence in the form of loans from the banking system. It can come from nowhere else, nor otherwise than as loans. This fact, which reverses all the old concepts of loans as money taken out of preexisting deposits is demonstrated fully in Major Douglas's works, and, in fact, has since been endorsed by Mr. McKenna, the chairman of the Midland Bank.

The CHAIRMAN: Are we not wandering very far from the subject of the bill?

Mr. SPENCER: I will be through in a moment. Professor Soddy goes on to say:

The order of procedure is as follows:

- (1) Money is printed or written into existence by the banks;
- (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.

I think I am in order in reading that, because we are asked in this bill to give the government the right to suspend the payment of gold for dominion notes. I shall support the bill but I would support with better grace the elimination of the whole subsection 3 of the act.

Mr. MACKENZIE (Vancouver): Before the six o'clock recess I made a statement to the committee to the effect that the committee in England had come out for the abandonment of the gold standard as the basis for internal currency. I take as my authority for that the report of the Federation of British Industries to which I referred the Minister of Finance. I wish now to place upon Hansard the actual quotation from the Federation of British Industries in analysing the Macmillan report.

Mr. BENNETT: It was the Macmillan report with which I was dealing and nothing else; I did not deal with the Federation of British Industries.

The CHAIRMAN: This is a bill giving the government power to suspend the redemption of dominion notes in gold. I do not think the hon. gentleman is in order.

Mr. MACKENZIE (Vancouver) I am discussing the bill. I know what it means. The report reads:

The Macmillan committee has come out boldly for the complete abandonment of the theory