

Mr. BENNETT: I am afraid my hon. friend misunderstood me if he understood what he indicates he did. I said that they had 100 per cent confidence in our ability to pay the bond in conformity with its terms, which meant payment in gold.

Mr. IRVINE: My point was that we have less chance of paying these bonds in gold than we have of redeeming the dollar in gold; because we have only 40 per cent gold behind our dollar and not nearly that behind the bonds.

Mr. BENNETT: The fact that so far we have paid fully all our obligations in the terms of the contract is in itself sufficient reason for the confidence that we shall continue to do so, and to the extent that that confidence lessens, to the same extent does the value of the bonds lessen in the markets of the world. But because thus far that confidence has not been destroyed, our bonds have been selling on the terms to which the hon. member has referred, plus of course the interest provision which naturally adds to the value of the security.

Mr. SPENCER: Has a dominion bond payable in gold in Canada been paid in gold during the last eighteen months?

Mr. BENNETT: That is a question which, as I indicated to the hon. member for Macleod, I would prefer not to endeavour to answer. There is a decision of Judge Farwell in Great Britain in the last few months and another decision of an English court indicating clearly that the exact words of the instrument will determine the question of liability. In the case before Judge Farwell, the wording was such that, in his judgment—and I do not know whether it has been appealed or not—it enabled the obligation under the bond to be paid in English pounds of depreciated value. I cannot express a legal opinion on a matter of that kind.

Mr. REID: I have listened very attentively to the information given to the committee, not that I am interested in what the people of the United States get on exchange from this country, but because I think, like other members, our dollar is just as good as that of the United States. Last fall a United States citizen came into Vancouver and for his \$10 bill, which was a promise to pay, he received \$11.88; for his silver money he received a premium of nine per cent. But when he tendered a \$10 gold piece, all he was offered was ten Canadian dollars. I have

[Mr. Irvine.]

always been puzzled why the promise to pay was worth 18 per cent and the silver dollar worth nine per cent, while the article itself was worth only par in Canadian money. Could the Prime Minister explain that?

Mr. BENNETT: That is very easily answered. Let me tell the hon. member for New Westminster of my own experience. On one occasion I went to Geneva to attend a convention and under the circumstances I thought it highly desirable that I should have some gold with me. Accordingly I took a few \$20 gold pieces. I found, however, much to my surprise, that £5 Bank of England notes were worth relatively more than the gold. Naturally I began to ask why. The answer in the first instance was that it was much more costly to convert the \$20 gold piece into the value into which the bank or commercial house might want it to be converted for use than it was to put a £5 note into an envelope and mail it away. That is one reason; but as regards the incident in Vancouver last fall, referred to by my hon. friend (Mr. Reid), the answer is this: You could not send the gold out of the country without a licence, and the cost of a licence at that time was the premium on gold. Therefore there was no force in giving more for the gold than its face value.

Mr. REID: That is what the banker told the man; he said: "You might as well leave it here, because we have a law against exporting gold."

Mr. COOTE: The story related by the hon. member for New Westminster shows the absurdity of the present situation. It all arises because the Prime Minister in September, 1931, refused to suspend redemption in gold, but chose to prohibit the export of gold, and through arbitrary measures, I think extra-legally, to refuse to pay out on demand, gold for dominion notes. The law clearly entitled the holder of a dominion note to get gold for it, but certain instructions were issued from the office of the Minister of Finance at that time to the receivers general throughout Canada that they were not to pay out gold on demand without permission from Ottawa. A friend of mine went to the Assistant Receiver General in Calgary in October, 1931, and asked for \$500 in gold to send to the United States to meet a liability which he owed there. So far as I know, there was at that time no prohibition by order in council of the export of gold, but the man was refused the gold. For that reason I think it is a proper move on the part of the Minister