I should like to give two illustrations which might clarify the point I want to make. My father, when he was a range rider and bronc buster on the Dakota prairies, used to be able to buy a pair of cowboy boots from the proceeds of two days work. The cowboys today in that region can still buy a pair of cowboy boots of a similar type for two days work. I go back to my own experience in 1939. The job I worked on then paid 40 cents an hour, and with that money I could buy two pounds of butter. Today the same job pays $1.56 an hour and it is possible to buy two pounds of butter for an hour's work. I think we must keep our perspective straight when we are thinking about inflation.

We hear a lot of comment on inflation. I want to say this: to those living on fixed incomes, the rise in the price of goods and the depreciation of the dollar does represent inflation. In this connection, I think great vigilance should always be exercised by any government to make certain that depreciation in the purchasing power of the dollar is offset by compensation for those on fixed incomes. I think it is essential that any government should be extremely vigilant in this connection, because an increase in the cost of living and a decline in purchasing power directly affects these people.

I should like to turn for a moment to some of the things which have been said and written on the subject of money. It is always an interesting subject, this matter of money, and it is interesting to hear from various people how money comes into existence and how it is used. I do not intend to give any great discourse on the subject, but I should like to put on record some quotations from what has been said by men who, I think, should know something about money. First of all I should like to offer a brief quotation for the record taken from the *U.S. News and World Report* of August 31, 1959. This is a report of an interview with the secretary of the United States treasury in the Eisenhower administration, Robert B. Anderson. It is called: "The Effects of Borrowing", and I will read it in question and answer form as it is printed.

Q. It is often said that borrowing from the banks raises some of the same problems that issuing an excessive amount of new paper money does. Just what is meant by that?

A. There is a difference, of course, between the two under present conditions. But if we rely excessively on bank borrowing, we will soon find ourselves in much the same shape as if we had printed too much paper money.

Now, when the government sells securities—unless it sells them to the banks—they are paid for with money which has already been saved. No new money is added to the amount people have in their pockets or in their cheque books. The government has not done anything to push prices up when it keeps away from bank borrowing. But when it has to fall back too much on the banks, new deposits are created—with only a small reserve backing them up—and that is almost as bad as creating too many new dollar bills.

Q. Do you mean that banks, in buying government securities, do not lend out their customers' deposits, that they create the money they use to buy the securities?

A. That is correct. Banks are different from other lending institutions. When a savings and loan association, an insurance company, or a credit union makes a loan, it lends the very dollars that its customers have previously paid in. But when a bank makes a loan, it simply adds to the borrower's deposit account in the bank by the amount of the loan. This money is not taken from anyone else's deposit; it was not previously paid in to the bank by anyone. It's new money, created by the bank for the use of the borrower.

This, I think, coming from Mr. Anderson who was the secretary of the United States treasury, emphasizes the fact that banks put new money into circulation. When I mentioned the Bank of Canada a while ago I had in mind that very thing.

There is another quotation which I should like to put on the record to carry this matter further, and it is also a quotation from Mr. Anderson, this time from an address he gave at a luncheon of the Associated Press in New York city on April 20, 1959. I should like hon. members to pay attention to this, because I think it has great bearing on the future of our country.

The fact that fiscal matters are little understood, even by some rather prominent and otherwise well-informed people, was brought home to me one day when a visitor in my office remarked: "You talk of the dangers of monetization of the debt, Mr. Secretary. You know, I just don't believe there is such a danger. Probably because I don't quite understand what monetization means!"

This, by the way, was a well informed person. Mr. Anderson said to him:

Now suppose I wanted to write cheques of 100 million dollars starting tomorrow morning, but the treasury was out of money. If I called up a bank and said, "Will you loan me 100 million dollars at 3½ per cent for six months if I send you over a note to that effect?" the banker would probably say, "Yes, I will."

Where would he get the 100 million dollars with which to credit the account of the United States treasury? Would he take it from the account of someone else? No, certainly not. He would merely create that much money, subject to reserve requirements, by crediting our account in that sum and accepting the government's note as an asset. When I had finished writing cheques for 100 millions, the operation would have added that sum to the money supply. Now certainly that approaches the same degree of monetization as if I had called down to the bureau of engraving and printing and said, "Please print me up 100 million dollars worth of greenbacks which I can pay out tomorrow".

I should like hon. members to take special note of the following phrase in the quotation:

At this point my visitor broke in to say, "Oh, I would be against printing those greenbacks!"

I am putting these quotations on the record in order to substantiate the stand