

of credit, is the power to produce and deliver goods and services as when and where they may be required. The war was financed not on gold but on the national credit, and the ability of our people to produce the things we wanted in order to carry on the war. In passing I might say that the limitation of the war was not brought about by the amount of money in existence but by the limitation of man power and supplies that were forthcoming.

Therefore I take it, Mr. Speaker, that the issue of money is a prerogative of the government. I received a letter the other day from a legal friend, in which he says:

It is commonly said that the right to issue financial credit has been transferred to the banks. I can see no proof of that and question it as a fact. I believe it to be a pure assumption. The supposition seems to me to be negated by section 75 of the Bank Act. As a matter of law I would say:

1. That the right to issue all money is part of the prerogative of the crown: In the words of President Roosevelt, "a high prerogative of government." It is so in all countries, and has been so in all ages.

2. That financial credit is money and therefore falls within the prerogative of the crown. The definition of money in Halsbury's Laws of England, volume 21, page 37, is, "that form of wealth or credit which is transferred from one person to another by means of coins, bank notes, cheques and similar instruments." Or as Mr. McKenna says, "what is immediately spendable," including all bank deposits drawable by cheque.

Money, as we well know, is of three sorts, coin, currency and credit. As has been so well outlined by the hon. member for Cambridge, the coin and currency represent only a very small proportion of the money we use; it is largely made up of credit. By means of the Bank Act the government of Canada allows the banks certain privileges with regard to the issuing of money. It allows the banks to issue paper money, commonly called bank notes or bills, to an extent equal to their paid up capital, and also what they call excess issue to the amount of 15 per cent of their unimpaired paid up capital and 15 per cent of their reserves. This excess can be issued for six months of the year, from September to the following February inclusive. Parliament, however, never gave the banks power to issue financial credit, and I think that is the point on which we must take our stand to-day. Parliament never gave the banks power to issue financial credit; certainly it is not covered in section 75 of the Bank Act.

I should like to quote from the Dean of Canterbury, who puts the case very neatly when he says that this power has slipped

[Mr. Spencer.]

unawares into private hands. To-day I read a very interesting address by the same gentleman, which appeared in the Illustrated London News, from which I should like to quote a few lines:

If in a pre-machine age men could support themselves in tolerable comfort, they can do so a hundredfold better to-day. Every man, indeed, can keep himself and a score of others too. It is a marvellous world. None need want. Remove the artificial restrictions and superabundance is at hand for all. Yet we starve. Literally, and in face of plenty. In the August heat wave Liverpool steamers moved from the docks, and from the neighbourhood of hot and thirsty children, too, and dumped a million oranges into the Irish Sea.

I could quote other similar cases of waste as well.

As I have said, most of our money is credit drawable by cheque. We have often heard, sometimes in this house and sometimes outside of it, that all the money the banks have to lend is money which is placed with them by their depositors. That statement may have been partly right some fifty years ago, but to-day it is entirely out of date. All loans create new money. All cancellations of loans cancel an equal amount of money out of circulation. A bank, therefore, when it creates a loan creates an asset, on the one hand, it also creates a liability on the other, and consequently a bank in making loans has to be very careful to see that it gets good negotiable collateral on which it can realize quickly in order to meet the demands of the depositors in case of a run on the bank.

I should like to quote a few words from the Macmillan report. On page 43 they make mention of how deposits are created and to the increase of cheque money, and under the heading of Bank Deposits they say:

Bank deposits subject to cheque furnish much the most important medium of exchange in Canada.

On that same page a table is given headed "Proportion of Deposits in Chartered Banks to Notes Issued," and they say, going back to the year 1871, that the proportion of deposits to bank notes was, in 1871 2·7 to 1, but to-day, so greatly has the system changed in favour of the use of cheques, that the proportion has risen from 2·7 to 1 to 17·1 to 1.

Looking over figures that I received the other day from the Bureau of Statistics I find that in 1931 the total gold amounted to \$120,000,000; legal tender, \$145,000,000, and deposits, \$2,422,000,000. This in itself is further proof that we are in an age of cheque money, and not in an age of either coin or note money.