

in this country. It became a serious problem nearly nine years ago. It was worse during the period when hon. gentlemen opposite were in office than at any time. It has continued to be a most difficult, perplexing and baffling problem—and why? For the reason that it is a world problem. It is not a problem peculiar to the city of Ottawa, or a problem peculiar to the province of Ontario, or a problem peculiar to the Dominion of Canada. It is a problem with which every country in the world has been confronted within recent years—and why? Because of the policies that are being made to prevail in certain parts of the world, those policies of economic nationalism which, instead of bringing nations closer together and permitting more and more in the way of trade, are putting countries, as I said a moment ago, into isolated compartments where their dealings with each other are narrowed down to small margins, and where, as a result of the shrinkage of trade throughout the world, there has been a consequent and inevitable shrinkage of employment as well. In many countries of the old world the problem, to outward appearances, has been solved to a certain extent; but when one stops to ask oneself how that solution has been made, one begins to understand why it has not been possible to solve the problem in the same way in Canada.

Take the countries of Europe to-day with large numbers of men employed—take any of them, if you wish—and ask yourself this question: How many would be in employment in those countries if they were not employed in making armaments or munitions, if they were not regimented into armies, if they were not putting in their time building fortifications, if they were not engaged in the work of preparation for war? Ask yourself that question and you will find the explanation of why the labour problem is what it is in the world to-day, and what it is in this country to-day. These men are being employed in war industries, in the case of some nations possibly for aggressive purposes. It is not for me to say whether that is the case or not. It is for each to judge for himself. But what has been the result? The result has been that that form of solving the unemployment question has necessitated other nations doing much the same thing. There is an old law that applies to the precious metals, what is known as Gresham's law, according to which, as Gresham discovered, where you have two metals in circulation at the same time, the one base coinage and the other pure coinage, the base coinage sooner or later drives the pure coinage out

[Mr. Mackenzie King.]

of circulation. The pure coinage is either hoarded or melted down and used in the arts, and the baser coinage gets into circulation. I believe that is only part of a more comprehensive law which may be termed the law of competing standards, and which applies to the behaviour of nations and of men just as much as it applies to the circulation of the precious metals. You have different nations beginning to arm, beginning to try to maintain their own on the basis of force, and by the spreading of fear throughout the world; it then becomes inevitable that other nations have to begin to protect themselves against that kind of thing, and as they begin to protect themselves against the dangers of war, they too get drawn into this business of competitive arming. They too find it necessary to manufacture munitions and armaments, to regiment their men in large numbers, with the results that we see. And what do we see?

Look at the financial statements of Britain to-day; look at the financial statements of the United States to-day, and see what proportion of the national income is going into war armaments or munitions and into the training of men for war. That has had another effect. It has had this effect. It has thrown capital out of productive industries and put it into unproductive industries, with the result that there is much less capital left to invest in anything of a productive character.

But it has had an even worse effect than that. It has helped to prevent the investment of capital altogether. It has had a paralyzing effect upon the investment of capital. That is the position, above everything else, of this country and of some other countries to-day. Men will not put out their money to invest in the different industries. They are withdrawing their capital from industry. Ask the Minister of Finance (Mr. Dunning), who is sitting here to-night, how much of the investment of capital to-day is going into government securities at a low rate of interest in comparison with what took place in former years. It has deprived manufacturing industry and our primary industries, and the like, of the capital they need. Why is that? Fear is paralyzing people with regard to their savings, and they are not investing them for productive purposes.

You cannot increase production, you cannot increase the means whereby men get their livelihood, if there is a failure to invest capital or a failure to supply labour. Labour and capital are both essential to production, and whatever paralyzes one paralyzes the other in the matter of effective production.