

through this depression. You can depend upon your merchant banker to act with reason and with intelligence, and with an undoubted degree of integrity in handling the deposits of other people.

Q. If I understood you correctly, it should be possible for the government, through government owned banks—whether the provincial banks or the national bank—to raise money, if you want to put it that way, by borrowing from the banks rather than by selling bonds upon which interest must be paid?—A. They do not borrow from the banks.

Q. From the national bank itself. That is the point, would it be possible, under your system, so that the national government would not be put to the necessity of borrowing by way of issuing bonds upon which interest must be paid, but which they do now, and where would you draw the line?—A. I would say, that that is again a matter of intelligence. Men say to me, Oh, oh, that would not work because you would have the same thing happen that happened in Germany. Is that what you have got in mind? Well, let us bring out the ghost of German inflation. Mr. Jackson Dodds was out in Winnipeg, and he made a speech to the people out there, and he properly drew their attention to former attempts to manage national credit and the disasters that had come to them. He referred them to Continental money, and to the German inflation, but he did not say very much about Russian inflation. Now, those things are brought up to frighten people. As I pointed out this morning, governments of the past did not have the knowledge or the capacity for government that we have to-day, and German inflation came as a result of dire necessity. There was a situation in Germany like this: Germany had a French army in possession of the Rhur; Germany was called upon to pay international gold obligations that she could not meet; Germany had to resort to a device of strengthening her credit position. To do that, she resorted to a designed and deliberately planned scheme of inflation for the purpose of liquidating her internal debts. Germany put the printing press to work; she kept the gold standard; she printed mark notes repayable in gold; she deliberately encourage the rise of the price level, and she printed marks by the carload—not only in hundreds, thousands, and millions, but in trillion mark notes. Now, printing presses do not run themselves, and you cannot get a printing press to produce a trillion mark note unless somebody ordered a trillion mark note to be produced. Has any man the right to say, that a proposal of national administration of credits should be judged by the possible consequence of inflation when it is used to liquidate internal debts, by the process of printing German mark notes redeemable in gold, to the point where their redemption in gold becomes an absurdity? Supposing at the same time that Germany had resorted to that device they had adopted a price controlled system, they could not have got the results of inflation. Supposing they had abandoned gold, they could not have got that result. What did they do in Russia? They resorted to the same thing. Lenin, when he took charge of Russia, said, I have got to destroy the power of merchants and others, and the only way I can do it is by destroying their money, which he did by inflation until Russian money lost its value, but in 1931 when Lenin realized that currency was necessary, he decided that he had to resort to the capitalist instruments of money banking, and he re-established the money system, but it was a national money system, and to-day you do not hear a banker talking about the Russian currency system. Your budget for 1934 in Russia is forty-seven thousand three hundred million roubles. They built the largest canal system in the world between the Baltic and the—. And they double tracked the trans-Siberian railway, and they have spent more money both for their homes and for labour, and have built the greatest line of industrial machinery that has ever been assembled by any country. They have put in one of the most extensive educational and health systems in existence to-day, and at the same time they have built one of the

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