

In England the governor of the Bank of England is elected by the court of directors; the court of directors is elected by the shareholders and the shareholders are anybody who may desire to purchase shares of the Bank of England on the open market. But the relationship between the Bank of England and the treasury are so close by reason of the operation of statutes, some of which are hundreds of years old, there has grown up a practice, that you might almost say that the Bank of England is always close to the government of the day. Its operations are, if not controlled by, usually in conformity with the general views entertained and maintained by the government of the day. It will be recalled that Viscount Snowden, who was Chancellor of the Exchequer when the Bank of England went off the gold standard in 1931, indicated that payments should continue on Saturday until closing time at noon or one o'clock, although it was clear that the bank was unable to meet all demands on Friday afternoon. It was felt that that would give a breathing space before Monday morning in which to deal with the situation. It will be within the memory of this house that the Bank of England statute to which my hon. friend from Macleod (Mr. Coote) referred went further than I think at the moment he indicated, because it indemnified the Bank of England for the illegal action taken during that period. The reason was obvious.

The question put by my hon. friend from North Bruce (Mr. Malcolm) is the question that will always be put as long as you have a system which is based upon universal experience and practice. Why is it that we ever had any idea of maintaining gold coverage at all? I endeavoured to say that the reason was that the creditor always decides how his debt is to be paid, and when he says that his debt is to be paid in gold, you have to pay it in gold or you do not meet his terms, which means that you do not do business with him, or if you do not pay the debt, you default. The creditor has the right to determine how his debtor shall discharge his obligation, it being the duty of the debtor, our courts have said, to seek out his creditor and discharge his obligation.

If you do not have a universal standard of value, some one commodity that is worth one hundred cents on the dollar in China and worth one hundred cents on the dollar in Australia, unless it is worth one hundred per cent in every part of the world in terms of the currency of that particular part of the world, it is not a medium of universal value. Now gold has been selected for that purpose.

[Mr. Bennett.]

Mr. COOTE: Might I ask the Prime Minister if he is now speaking of international creditors or internal creditors?

Mr. BENNETT: I am just starting to deal with the international side of it to show its relation to the internal side.

That being so, it follows—this is the experience of the commercial world at any rate—that if within a country you have no such common standard, no such universal measuring yardstick, you are bound to have a greatly depreciated currency, depreciated from the value of the standard, and depreciated in terms of the currency of your creditor if you have to pay him in accordance with the terms of the standard. That looks so reasonable as not to require much argument.

What Canada might do with respect to her currency if she did not owe a dollar outside of this country is a matter for Canada to determine, and nobody else. One of the reasons the United States can do what she pleases with respect to gold at the moment is that she has no external creditors to whom she must pay. People owe her; she does not owe them. But when you reverse the process and have a country that has to provide for the payment of its debts in other countries a different situation arises. I am going to point out to my hon. friend from Macleod that he is not right in saying that they provide payment of the debts in gold because if they did there would not be enough gold to go around for very long, but they pay in terms of gold; I think that is the position he intended to take. Now that gold is provided either by services which must be payable in terms of the currency of the creditor country and therefore go at par to satisfy the debt, or it is provided in goods payable in the same terms to satisfy the debt due by the debtor to the creditor country, or it must be paid in gold itself. That is the reason we have been shipping one million dollars' worth of gold at one time and another million dollars' worth of gold at another time to New York. That is the reason why the sixty million odd dollars of gold in this country played so large a part last year in sustaining the credit of the country. The Dominion of Canada paid for the gold the price it would bring in the United States, and then we shipped the yellow metal itself down to the United States where it went to the central reserve bank, and from that bank issued gold certificates which paid the debts of this country, the interest on our debts, the interest owed by the provinces, and matters of that kind.