

of the position of debtors and creditors, entrepreneurs and workers, peasants and the tax gatherer, that the main secret of social trouble is to be found.

If then, upon those conclusions of the latest text book on modern economy we can build for Canada a monetary structure, a system of planned economy that can stabilize the price level and eliminate those disastrous cycles, we probably will be doing something that will not only be a lead which the other nations of the British Empire can take, but as the outstanding overseas dominion of the British Empire, we will probably be able to do something to place the British Empire back in that leadership which will save this world from the disaster which must follow if pagan rule assumes control. And I propose to draw your attention to the possibilities of taking these recently defined principles in the Macmillan report and converting them into practical political action. In that connection I wish to submit to the committee a bill which I have drawn. Let me say, Mr. Chairman, that after some 20 years as a public man, some of which has been spent in the legislatures, I quite appreciate that the bill I have drawn would have to be submitted to revision. It is not submitted as a final piece of legislation; it is merely submitted as a basis, indicating the type and form of legislation that is required to put into effect the principles I have quoted. In trying to get my own ideas down to the point where I could convey them to others, I looked about for a practical analogy. My analogy is this: The circulation of purchasing power in the social system may be likened to the circulation of water in an irrigation system. If you have purchasing power flowing freely into a social system through the distribution of wages, you cannot have anything but good times, because wage earners spend their money. No matter what remedy you offer, gentlemen, you will never find a substitute for the weekly pay cheque, that provides the necessities and comforts of the workers' homes. That is, and always will be, the basis of real prosperity in any nation. Water in an irrigation system must have a continuity of supply. You must have the means of putting it where, and when it is needed, and then in most cases it will run away itself, which credit will not do. Credit has a tendency to accumulate and people fear, as a result of the accumulating power of money and credit and quite rightly recognize the danger of inflation; and I am not underestimating the danger of an excessive volume of medium of exchange poured indiscriminately into the social system.

I think that this chart which I have drawn can portray how I would circulate in a continuous flow the medium of exchange that is necessary to maintain prosperity; and in this plan that I propose, I take away gold as a security for wealth, and I place the security for all wealth the purchasing power of money included, upon its real and proper foundation, the going concern activity of your social system. I give the government power to maintain the going concern activity of the social activities of the people. If we have an article and no one is using it, it will not have any value. If people stopped using gold it would have no value. It does not matter how much gold we have, if people stop using it as money it would drop to \$2 an ounce overnight. If we have a pair of shoes on a shelf, they are only valuable because somebody is going to destroy them by wearing them. You have got to circulate your purchasing power, not against a fixed thing like gold, but you have got to circulate your purchasing power against the destruction of wealth. You have to provide the means by which the consumer can buy and destroy and buy again. That can be done, and by so doing you can maintain the going concern values, and real asset of business, of labour, and all accumulated savings, and you can re-establish the value of provincial bonds and stocks and bonds of private industry, because if you put our social life into action, that enormous

[Mr. G. G. McGeer]