

buy the bonds. Many people think that inflation is connected only or largely with the issuance of notes, but I would remind the committee that it is no more inflation for a bank to hand \$500 in bills over the counter to a customer than to credit \$500 to his account against which he draws by cheque. We found only two weeks ago that the country with the largest stock of gold in the world was obliged to close every bank within its borders because when a real run was made it was found impossible to supply gold against the notes that might be presented. This afternoon the Prime Minister, in a very able speech, mentioned that the dollar was of value only as one could depend upon gold being paid for it. I would say that the dollar is of value according to the goods you can buy with it. During the last eighteen months I have not been able to get any gold for dominion notes, and therefore I say that dominion notes are of value only in proportion to what I can buy with them. I have found them perfectly good because the assets of Canada were good, whether or not she had gold behind her dominion notes. In looking through the evidence given before the banking and commerce committee in 1923 I found what I consider rather a good statement as to the basis of credit. I should like to read it to the committee; it is as follows:

The basis of a nation's credit is the number, intelligence and industry of its people, plus the capital equipment and natural resources within its boundaries.

Gold therefore is only one small part of the assets of the dominion, and I think we should give due credit to those vast assets other than gold.

Mr. BENNETT: Who said that?

Mr. SPENCER: That was said by Mr. George Bevington in the course of his evidence before the banking and commerce committee. I believe I attended practically every meeting of that committee and I did not hear that statement contradicted. We are told that gold is the most valuable of metals, but I think if we took away the statute giving gold its fictitious value it would become one of the most useless metals.

Mr. ERNST: I wonder if the hon. member can answer a question, just for information. Dealing with any year previous to the war, I do not care what year, can he tell me the gold coverage for currency and the amount of paper issued as compared with the gold coverage and the amount of currency issued to-day? And for the same pre-war year for

which he gives me the gold coverage and currency issued could he give me the volume of trade as compared with to-day, so that we may see how they compare?

Mr. SPENCER: I am sorry I have not the figures with me, and I should not care to make a guess.

Mr. ERNST: I asked for only one purpose. I believe that the amount of paper money was quite out of proportion to the growth of trade.

Mr. SPENCER: I do not know whether or not the hon. member was in the house just before six o'clock, but I mentioned then that the statement that Canada has forty per cent of gold behind her dominion notes simply means that she has forty per cent behind what dominion notes are printed and what we think are necessary. If there should be a real run of depositors asking for their money—and every depositor has a right to dominion notes—naturally we could not meet that run, and no country could do so.

Mr. ERNST: My purpose in asking the question was to see whether the increase in paper money coincided with the growth of trade.

Mr. SPENCER: From time to time there have been attempts made to limit our paper money to the amount of gold we have in reserve, and that is one of the criticisms I have to make in connection with gold. I believe that often it has placed a country in a straightjacket in regard to trade development, because there was not sufficient currency or credit for needed development. In support of what the hon. member for Macleod had to say I noticed that Sir Basil Blackett, speaking in Canada about eighteen months ago, said very plainly that it was quite unnecessary to keep gold behind internal currency. In that connection I should like to quote another eminent banker, Right Hon. Reginald McKenna, who, speaking to the shareholders of the Midland bank in January, 1932, said:

The time has gone by for the childlike belief that as long as a country is on a gold standard all is well.

And again:

For upwards of six years our monetary authorities fought a losing battle on ill-chosen ground.

Referring to Great Britain going off the gold standard he said:

There has been no inflation in Great Britain through her going off the gold standard. The cost of living is about the same.