

notes will be no longer redeemable in gold. So I should like to ask the Minister of Finance whether dominion notes will be redeemable during such periods of time and, if so, how they will be redeemed.

Mr. RHODES: Assuming this bill passed and an order in council were passed by virtue of it, it would mean that the individual with a dominion note would not be able to demand gold. My hon. friend will realize that even under our legislation as it exists to-day, by the provisions of the Finance Act we can make notes legal tender. So a man would merely change one kind of note for another kind.

Mr. POULIOT: But if I understand the minister correctly those notes are issued for circulation and not for redemption. They are issued as a convenience in business, so that they may be easily transferred from one individual to another or from one firm to another; they are backed by the credit of the dominion but have no gold behind them.

Mr. RHODES: We will still have to provide the amount of gold called for under our existing legislation.

Mr. POULIOT: That is forty per cent?

Mr. RHODES: We have that to-day, and under our statutes we would have to keep that amount, but assuming that this bill becomes law and we pass an order in council under it, then an individual could not come and ask for gold for legal tender; he could only get dominion notes.

Mr. POULIOT: He would get other dominion notes?

Mr. RHODES: That is all.

Mr. POULIOT: Then I imagine we have had inflation in this country since parliament approved of the issue of \$68,000,000 in notes with no gold coverage. With regard to inflation, as the Prime Minister has said there is usually some sort of inflation every fall, due to the fact that the law authorizes the banks to issue notes, during the movement of the wheat crop, to the extent of fifteen per cent of their total note issue. Bankers have told me that last year the banks did not ask the minister for permission to issue those extra notes, that the money in circulation was sufficient to meet the need. The right hon. Prime Minister also said that if the Canadian dollar is not on some international basis some difficulty might ensue. I am not familiar with all the economists who have written on this sub-

ject; I try to keep a clear mind, but it strikes me that gold is used to regularize the exchange of trade, and if, as the Prime Minister has said, we have reached the limit of our borrowing power, it means that other countries have lost confidence in Canada, which is very serious. The Prime Minister in his speech also said that if we cannot pay in gold we must pay in terms of gold. As the right hon. gentleman spoke in rather a low tone I could not catch the first definition he gave in regard to terms of gold, but in the second place he mentioned goods.

Mr. RHODES: The first was service.

Mr. POULIOT: Thank you. The first was service, the second goods, and the third gold. The Prime Minister may be quite right in this respect, but gold is used to regularize exchanges, and when there are no more exchanges and our foreign trade is falling, the value of currency falls accordingly. May I remind you, sir, that during a debate that took place some days ago I asked the hon. member for Macleod if inflation would be necessary if the tariff were not so high. The hon. gentleman, who is the official financial critic of the group in the corner, answered that if tariff barriers were lowered to normal there would be no need for inflation. The right hon. gentleman spoke about normalcy. When our trade was normal the Canadian dollar was above par.

I will not discuss the question at greater length, but I would suggest to the right hon. Prime Minister and the government that they reconsider their tariff policies, and then there will be no need for legislation such as we have before us to-day.

Mr. IRVINE: A few minutes ago I directed a question to the Prime Minister, and I should be glad if he would be kind enough to answer it now, because I want to make sure I understood exactly what he was saying in this connection. I understood him to say that our Canadian bonds were worth more than our Canadian dollars, because there was only 40 per cent of gold behind the dollar and the bond was worth 100 cents. I wish to make my question a little clearer. Canadian bonds held by citizens of the United States amount to a great deal more than all the dollar bills we have in this country, and we have only 40 per cent of gold behind our dollar bills. How then could we have 100 per cent behind our bonds? It seems to me that in that case the bondholders would have confidence in neither our dollar nor our bond.