

before. It is from Governor Mariner Stoddart Eccles of the United States federal reserve system. I quote from "Basic Principles of Constitutional Money" by Etta M. Russell:

On March 21, 1939, Governor Eccles, of the board of governors of the federal reserve system, gave a very clear definition, in testimony given before a committee in the United States senate. In answer to the question by the chairman—"What do you call currency inflation?" Mr. Eccles replied, "To me it would mean where the supply of money, bank deposits and currency, in the hands of those who spend that money, is greater than a country's ability to produce the goods for the market. It would be a condition of overemployment, a condition of inability to produce the goods so that the supply of money in the hands of those who spend it, is in excess of a country's ability to supply the demands."

This definition and explanation should be read and reread in the light of present conditions.

In other words, he points out that inflation comes as a result of having more money in circulation than there are goods and services, which is exactly the contention I have made.

May I read a statement which the Right Hon. Reginald McKenna made in a speech delivered before his shareholders in January, 1940, a little more than a year ago. He said:

Inflation, if it comes, will be due to the growth of consumption, civil and military together, beyond our capacity to produce. The military demand must be satisfied, and in the long run, if no other means can be found to bring the total demand for goods within the limit of production, inflation, with its accompaniment of rising prices, sets in as an automatic check on civilian consumption.

I think those definitions show clearly what inflation is. It would be greatly to the benefit of this country if from this time forward the Minister of Finance, the governor of the Bank of Canada, the leader of the opposition and every other responsible public man in this country used the word "inflation" only with that meaning. We then would be ready for progressive thought, and the people would not be alarmed if they should happen to hear that the government had created and put into circulation \$500,000,000, for example, possibly in assuring fair prices for butter or pork or wheat.

Once more I am going to make the plea that the government take steps to see to it that there is adequate production. Before the adjournment of the house in December last, I showed how our dairying industry was being allowed to be destroyed; and within a very short time I hope to present to the house some figures with regard to our dairying industry which I believe will astound some hon. members. At the present time we are allowing dairy cows to be exported from this country, at the very time when we need additional milk production in order to supply the cheese and the butter which Great Britain needs. That is an extremely serious matter.

We are allowing the price of other commodities to go too low, with the result that we are likely to discourage people from increasing their productive powers, their breeding stock and the like.

This country can create money and can spend it in considerable amounts safely, without inflation in any sense of the word.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I am going to be very brief because I feel, as I believe every other hon. member, and every loyal citizen of Canada feel, that this motion must pass, that the people of Canada are willing and ready to pay all the taxes that are imposed upon them, and to subscribe to war loans and war savings certificates. It seems, however, that it would not be right for us to allow this motion, asking for moneys amounting to more than three times the total national debt before the war of 1914, to go through without some debate.

As I have said, our people are quite willing to accept this motion and what it entails, on the understanding that every dollar spent in the war effort shall be so applied that the nation receives a dollar's value for a dollar spent. They are not getting dollar for dollar value now, because there are too many go-betweens, too many sub-contractors, too many other things which I will not mention here but which will come up when we are in committee of the whole.

The people also feel that, as all are being taxed, this war effort should be on a non-political basis, and not on a political basis such as we have to-day. I have before me a clipping from the Peterborough *Examiner* of February 13, 1941, in which Alderman Elliott of Lindsay charges that politics were being played in Lindsay. There was, he said, evidence of it at the dominion arsenal. That is holding up the war savings campaign at the present time. One man said to me, "Do you think I am going to give money in the war savings campaign, for these war savings certificates, when my son cannot get a job because he is not a Liberal?"

Some hon. MEMBERS: Oh, oh!

Mr. FRASER (Peterborough West): That is an honest fact. I have letters on my desk to that effect. It is patronage of the worst kind. I do not say that it is happening in every riding. The hon. member for Peel (Mr. Graydon) tells me that in his riding the defeated candidate is working hand in hand with him and there is no patronage.