

He says further:

The amount of gold that is required ought not to have any direct relation to the amount of currency that is out.

Gold is only used, he points out, not for the purpose of converting internal currencies, but to meet exchange balances with foreign countries. He says further:

The amount of gold that a central bank requires, if we could persuade public opinion to see the truth, is the amount that will make it perfectly safe for meeting an external balance of payments against it at any given moment. That ought to be the sole purpose in a peaceful world for which a gold reserve is kept,—to meet an external balance of payments that is against that country.

In the last paragraph he says:

The main purpose I had in rising to-night was to say that I believe the first and foremost principle that we ought to get driven home, and on which we ought to concentrate, is the truth that no currency note in the world is convertible, and that no sensible central bank ought to regard it as such.

Sir Basil Blackett, I think, is one of the best-informed men in regard to monetary matters in the whole British Empire. He is a director of the Bank of England. He says:

No currency note in the world is convertible and no sensible central bank ought to regard it as such.

If no sensible bank ought to regard it as such, why should a sensible country regard its currency as convertible? The reason it is not convertible is I think pretty well known, but perhaps a quotation from Doctor W. H. Coates might help to exemplify that point.

There are probably twenty thousand millions' worth of transactions carried on in Great Britain each year on a base of one hundred and fifty millions of gold. That fact gives some measure of the credit structure the whole world uses. The central banks determine how much credit there is to be. They look in a cupboard to see how much yellow metal they have got! They might as well look to see how much coal they have. Gold should be put in its proper place.

While I am on my feet I should like to quote a paragraph from the report issued by a joint committee of the Federation of British Industries and the British Economic Union last year:

Make it clear we are not in disagreement with the view of the Macmillan committee referred to below that in a stable and financially highly developed community neither gold nor any other metallic backing is required to support an internal note issue and that a metallic reserve is needed for no other purpose than to meet a foreign drain and provide an international standard of value.

I would suggest that as our dominion notes are used only for internal purposes we should

strike out altogether the subsection referred to in this bill so that the amount of legal tender which we might have in Canada is not dependent on the amount of gold which we have in a cupboard over in the east block. I know that some people think that this would make it more difficult for us to meet our obligations in New York, but so far as this house is concerned I do not think there are very many members who any longer put much stock in that theory. I know that on February 29 of last year the Prime Minister said:

Now, if I ship down to New York nineteen one million dollar Canadian bills, would that pay the debt? Obviously it would not. Because those nineteen one million dollar bills could not be converted into nineteen million dollars of gold, there being no free market in respect to it. That was the position. It put upon us the tremendous obligation of making the necessary arrangements to carry over.

I think the Prime Minister was indulging in a little flight of fancy there because I do not think there are any one million dollar notes issued; if there are I hope the minister will correct me. But we can take it from the Prime Minister's own words that we do not meet our obligations in New York with our dominion notes, and therefore the question whether we have gold behind our dominion notes or not, or whether we are willing to convert dominion notes into gold, does not affect our ability to meet our obligations in New York. I wish we could dispose once for all of that fallacy which is in the minds of some of the people of this country, but which I hope by this time has disappeared from the minds of the members of this house. If it has not, I hope that when we are in committee this afternoon the minister will assure us that this change in the act would not in any way interfere with meeting our obligations in foreign countries.

Mr. MARCIL: Would the minister explain whether a bank can be called upon to give up its gold for its bills?

Hon. E. N. RHODES (Minister of Finance): If my hon. friend from Bonaventure (Mr. Marcil) will not think me discourteous, I shall be very glad to attempt to answer any questions when we are in committee. My hon. friend from Macleod (Mr. Coote) was strictly in order in his discussion, but he raised the whole question of the gold standard which I submit is one which does not of necessity have to be dealt with in connection with this bill, and therefore I hope he will not think me discourteous if I do not follow the general lines of his discussion. I rise merely for the purpose of correcting a mis-