

Greenwich observatory there is a standard yardstick which is very carefully looked after. It is exactly thirty-six inches in length and is kept free from climatic influences lest it should expand or contract the least fraction of an inch. It is kept steady and unvarying, as a standard. Now let us suppose that I contract with someone to supply a thousand yards of cloth, and of course it is understood that thirty-six inches constitute a yard. Three or four years go by; someone gets hold of the yardstick and stretches it until it is seventy inches in length. Then he demands: Pay me my thousand yards of cloth, and he holds up a yardstick seventy inches long. The Prime Minister would say: Yes, of course, it must be paid, that is a contractual obligation. It is not a contractual obligation. The fact is that the dollar has increased in buying power, and under such circumstances it is only fair in the eyes of anyone who is not obsessed with the legal way of looking at the matter, that the people who own the mortgages, for that is what the bonds are, should receive back the real purchasing power of those mortgages or bonds at the times the debts were contracted.

Moreover, when the minister talks about keeping faith with the investors, I ask: What about keeping faith with our Canadian pioneers who put their all into this country? What about keeping faith with our pensioners who at the call went over to Europe and risked their lives, and who are now finding their pensions cut down? What about keeping faith with the ordinary farmers and labour people throughout Canada who are having their incomes very seriously reduced? Why should the bondholders not take their share of the losses and the depression? They are the only class that is exempt to-day. The Minister of Finance, in speaking of the high credit position of Canada, said:

This enviable position has been and can be held only by the maintenance of sound financial and monetary policies. . . . Let the sponsors of inflation never forget—one inevitable result would be a flight from our dollar, a withdrawal on a large scale of the capital invested by foreigners in this country in the form of securities and bank deposits—against policies which might lead to such dangers, this government has resolutely set its face.

I do not suppose my personal opinions would avail very much in opposition to those of the Minister of Finance, but let me read the remarks of Mr. McKenna to the shareholders of the Midland bank as recently as March last. He said:

The national finances are certainly better in countries where the persistent fall in internal prices has been arrested than in those where through adherence to gold it is still continuing.

Separation from gold is no longer a sign of budgetary disorder; adherence to it is not longer a distinguishing mark of sound national finance. . . . Controlled inflation, from being the remedy of fools or knaves, has become widely regarded as the best available solution of our troubles.

Mr. COOTE: Who said that?

Mr. WOODSWORTH: Right Hon. Reginald McKenna. Of course, if we in this corner say this, we are called the wild men from the west and I suppose the hon. member for South-east Grey (Miss Macphail) will be called the wild woman from the east.

Some hon. MEMBERS: Order!

Mr. WOODSWORTH: I hope that is in order, Mr. Speaker. I should like to repeat these words of Mr. McKenna:

Controlled inflation, from being the remedy of fools or knaves, has become widely regarded as the best available solution of our troubles.

Confirming that, Mr. H. G. Hawtrey, a treasury official, said this:

The evil consequences of uncontrolled inflation are definitely surpassed by the evils of deflation.

Mr. COOTE: Would the hon. member mind telling us who Mr. McKenna is?

Mr. WOODSWORTH: He is chairman of the Midland bank, a former chancellor of the exchequer, and in order that it may be realized he is quite respectable, I may say he is a member of the board of directors of the Canadian Pacific Railway Company.

The Prime Minister the other day gave us a very elaborate dissertation on gold and emphasized that our money was well taken care of by the gold coverage. I do not suppose my words would avail against those of the Prime Minister, who is supposed to be omniscient, but I would like to quote as against his position the words of another Conservative, the Right Hon. Arthur Meighen, a former Prime Minister. In an address before the Bankers' Educational Association of Toronto on January 21, 1931, Mr. Meighen said:

Under the Finance Act of later years, our government was authorized to advance to banks against specially named classes of collateral government notes by way of temporary loans and no provision was made for a gold reserve against these notes. . . . As to the money advanced under the Finance Act it is indefinite, consequently loans of unstated amounts, without limit, depending wholly upon the discretion of the Finance department, can be made without a gold reserve.

The Prime Minister said nothing whatever about these advances under the Finance Act. I do not know whether it would be quite fair