

striving for export trade. So I still put the question—my right honourable friend may have some light upon it which I have not: Do our finances allow of these schemes being brought into being at the present time?

I have spoken of the state of our finances. The deficit of the Canadian National Railways represents a heavy load. On the 2nd of January the Prime Minister said: "Look at our railway problem. Its solution is, I earnestly believe, a condition precedent to prosperity." Yet no mention is made in the Speech from the Throne of this engrossing subject, nor is there any indication of how the situation can be improved. In 1933 we passed an Act to bring about co-operation between the railways, upon which Act we worked diligently, in the hope that the situation might thereby be improved. But it has been practically a dead letter. The railways have been co-operating hardly at all; the machinery provided for in the Act has not even been set up, and last week in Brockville the Minister of Railways said that he really saw no solution of our present difficult railway situation. Meanwhile the taxpayer has to find a million dollars a week, or \$52,000,000 a year.

Hon. Mr. CASGRAIN: You are too cheap. It is a million and a quarter a week.

Hon. Mr. DANDURAND: I say that because I have been told that the railway deficit is around \$50,000,000 a year. In a financial sense, we are bleeding to the extent of one million dollars a week, yet no hope is given us by the Minister of Railways. On the contrary, he has frankly declared that he sees no solution to the problem.

The Speech from the Throne has a reference to the Bank of Canada and expresses the hope that it may regulate our credit. It is said that the Bank should prevent wild and frenzied speculation, such as reached its peak in 1929. I think we shall find that hope to be vain. The Bank of England, the Bank of France and the United States Federal Reserve System tried to restrain credit in the years before the depression, and they entirely failed. I have figures showing that the Federal Reserve rediscount rate went up from three to five per cent in 1928-29, and the interest rate on call loans from 4.05 per cent in 1927 to 9.23 per cent in 1929. Yet the stock exchange loans expanded from \$3,642,000,000 in 1927 to \$4,837,000,000 in 1928 and to \$7,474,000,000 in 1929. Loans are down to-day to \$876,000,000. These figures go to show that a high rate of interest does not deter speculation. When profits are in sight, or seem to be in sight, people will borrow money even though the cost is high. It seems to me that

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remedies should be sought elsewhere. Since our Prime Minister has been turning southwards for inspiration, I wonder that he did not borrow from President Roosevelt's legislation to cope with the stock exchange and surround the speculator with some safeguards.

This reminds me that in July, 1933, there was a flurry on the stock exchange. Was that due to the repeal of the prohibition law? I do not know, but in any event there was a flurry and immediately speculators jumped into the market and stocks started to move upward. That condition did not last long, but it continued long enough to cause people all over the world to believe that there was apparently a material recovery in New York. However, it was soon generally recognized that prosperity had not yet turned the corner. I saw a newspaper dispatch, whether from the other side of the ocean or this I forget, which contained what was perhaps a facetious remark by our Prime Minister. He was quoted as asking, "Why don't they close the New York Stock Exchange?" Well, many people have been asking if that was not the very point at which speculation could be curbed. I am not disposed to be very radical, yet I believe something should be done, perhaps along the line of Mr. Roosevelt's legislation, to cope with the excitement and the allurements of the stock exchange.

The principal reason given for the creation of the Central Bank was the expectation that in matters of exchange, which means foreign exchange, our monetary unit could be more easily stabilized. To what extent and to what advantage, and at what cost, the future only can tell. Can the Bank of Canada expand credit? Not more so, I believe, than has been possible under the Finance Act which we have had in this country since 1914. Everyone who has read addresses of bank presidents at recent annual meetings knows of their complaint that business men have been limiting their borrowings to actual needs and that the banks have had to resort to the purchase of bonds and debentures. People cannot be forced to borrow money that they do not require, and at the present time firms will not make purchases simply for the pleasure of adding to their stocks. They consider everything very carefully before they make any move towards expansion, and quite logically so.

My honourable friend from Ottawa East mentioned the fact of negotiations between the United States and Canada for the exchange of commodities. That indicates the possibility of a reciprocity convention. I frankly confess I did not think I should live long enough to see the Conservative party