materials, and I assume that the word "men" also means women and children. I quote again from the proceedings of the committee:

Q. —and where you have an abundance of men and materials you have no difficulty, under our present banking system, in putting forth the medium of exchange that is necessary to put the men and materials to work in defence of the realm?

Mr. Towers: That is right.

Now this I think needs to be said, where the men and materials are, then the money can be created with which to put those materials and people to work. After that, the taxing base of the country will be greater, as has been proved already in this first year of war. The experience in the war has been that when money has come forth and has been invested or spent, it has increased the income of the nation by increasing goods, services and the production of the nation. The same thing will apply to the production of butter and other consumer goods if those goods can be sold and consumed in the country. I should like to turn to the bank of Nova Scotia's monthly review of October, 1939, entitled "Economics of War, No. 1":

Financial outlays are no more than an outward sign of the inner reality.

In this case I take it that the inner reality is really our great coalfields, our mines, our people, and other resources.

The true measure of a country's ability to prepare for or to wage war is the degree to which it can enlarge and redirect its productive capacity to this end. So long as there are unused resources of labour and capital and so long as peace-time resources may be diverted to war purposes without reducing living standards below a minimum subsistence, it is feasible for a nation to increase its war-time capacity and to find the necesary financial means.

I am sure the minister agrees entirely with those words, but I should like to give an illustration. I know of several farms in my constituency which produced great quantities of milk, butter, eggs, pork and beef during the last war, but which to-day are producing practically nothing but wheat. The result is that the people living on those farms are more or less idle during the winter. When they are asked why they do not produce hogs, eggs or other products they will reply that it does not pay. They contend that, by producing such commodities, they would be worse off than they are at the present moment. I think that is sufficient evidence that what I am saying is sound. These people should be producing milk, cream and the like in this war. In the last war many of these farmers were rising at five o'clock in the morning, whereas to-day they get up around eight o'clock during the winter. Previously they worked until ten o'clock at night, whereas to-day their work is finished at eight o'clock. We are losing that extra time and energy because we have not adequately adjusted prices and have not adequately encouraged production. The whole matter has a vital effect upon this question which we are discussing, inflation and the expansion of money.

The all-important matter is the question of inflation. What is inflation? The minister made a statement which I am sure he thought was entirely sound after Mr. Hepburn had made his remarks about new money. Over the radio we hear much talk about inflation. I am assuming and I hope that that talk is sincere. But there were the wildest aberrations from the fact in some of those statements. Evidently these were due to a misunderstanding of the true meaning of the word "inflation". I should like to read the definition of inflation given in Webster's dictionary, the second edition. It is:

Disproportionate and relatively sharp and sudden increase in the quantity of money or credit, or both, relative to the amount of exchange business. Such increase may come as a result of unexpected additions to the supply of precious metals as in the period following the Spanish conquests, in central and South America or the period following the opening up of large new gold deposits; or it may come in times of business activity by expansion of credit through the banks; or it may come in times of financial difficulty by governmental issues of paper money without adequate metallic reserve and without provisions for conversion into standard metallic money on demand.

Since that definition was written, the minister will realize that things have taken place with respect to our money which make that last statement absurd. It goes on:

In accordance with the law of the quantity theory of money, inflation always produces a rise in the price level.

We can safely say that there is no inflation without a rise in the price level. In a country as well ordered as the minister, to his credit, is managing to have this country ordered, where people are not allowed to manipulate prices to suit themselves, the price level is going to depend upon the supply of goods and services available, and there will not be a rise in the price of a commodity unless there is a scarcity of that commodity. The result is that the important consideration to the government must be to see to it that there is a sufficient supply of all commodities which we are likely to use, so that at any time, no matter what the strain may be as a result of buying by the people, there will be enough of those commodities to supply all that the people want to consume.

I should like to give another practical definition of inflation which I have given