

*Dominion Notes Act—Gold Standard*

more power in this bill than, as I have intimated, already exists in both the United States and Great Britain.

Mr. G. G. COOTE (MacLeod): Mr. Speaker, I have no idea of objecting to the bill now before us which, I think, is long overdue, except to say that I believe the section which is intended to be amended, should be struck out altogether. I am informed there is today no country in the world where legal tender notes are redeemable in gold and I do not see why we should continue any longer to keep this section of the Dominion Notes Act on the statute books. While it is there, I am in favour of the amendment moved by the minister to the effect that the government should have power to suspend it. It has actually been suspended since September, 1931, and it was suspended perhaps two years before that time. I think it was Professor Curtis who said that the test of a gold standard is the foreign exchange rate and when a premium on foreign exchange as high as two per cent obtains in Canada, this is a clear indication to me that we are no longer redeeming our notes in gold. In September, 1931, Great Britain was forced to abandon the gold standard. The action taken in Great Britain at that time, and taken by act of parliament, I may say, was to relieve the Bank of England from liability to redeem their notes in gold. I might quote Mr. Snowden, Chancellor of the Exchequer, who said, in introducing the bill:

This will not affect the free gold market in London. There will be no restrictions on the importation or exportation of gold and any gold sent to London for sale, for example from the South African mines, will like any other commodity fetch its market price whatever that may be.

All that is changed is that the right under the subsection of the 1925 act to take from the Bank of England gold bars, is suspended. Finally and I only say this because of an unreasoning fear that appears to prevail abroad where we are under obligations to make payments in dollars or other foreign currencies, as for example some of the war bonds that were issued in New York, we shall of course continue to meet our obligations punctually in those currencies.

That was the action taken by Great Britain when she abandoned the gold standard. She suspended the redemption of notes in gold. She did not take the action now proposed by the Minister of Finance of giving the governor in council power to suspend redemption, but she did actually suspend it by law, and I think that is the action which should be taken in Canada at this time. This should have been done in September, 1931. At that time the government had power, under the Unemploy-

[Mr. Rhodes.]

ment and Farm Relief Act, to pass an order in council suspending redemption in gold. That action was not taken, but so far as I can find out, the government have refused almost consistently to redeem on presentation dominion notes in gold. We have done extra legally that which we would not do legally. Although bound by law to redeem these notes in gold the receivers general have refused to do so. To make sure of that I applied on two different occasions to the Assistant Receiver General at Calgary for gold and I was refused. I was handed an application form. Such action could not by any stretch of the imagination be taken as compliance with the law and I think it is regrettable the government has waited eighteen months to do this thing legally. The government, however, should go further and suspend that section of the act. We have no intention of redeeming notes in gold; it is impossible to do so and no country in the world is doing so. In fact, dominion notes should not be convertible at all, because when the public or any large section of it desires to make our notes convertible, they become inconvertible. Every existing currency becomes inconvertible when any large section of the public attempts to convert it, so why continue to pretend that our currency is convertible. There is only a small amount of legal tender in the country compared with the total deposits in the banks. The situation is sound while the people have confidence, but as Lord Melchett said in a recent book *Modern Money*: "Confidence is suspicion asleep," and whenever confidence is shaken, suspicion wakes up and the bankers always get suspicious first. They curtail our credit and they bring about the very terrible depressions one of which we are now experiencing.

I did not intend to say very much about this measure until it got into committee, but I might quote Sir Basil Blackett who, when speaking at a meeting of the members of the Royal Institute of International Affairs at London in 1931, on the international gold standard, on this very question of convertibility into gold said:

The question, why do banks keep gold? can be answered, I think, frivolously, in several ways. I think the first and perhaps the most important answer is because other central banks keep gold. Perhaps another answer would be because the banks think that people think they ought to keep gold, or even because the banks think that people think and the banks think they ought to keep gold. Possibly another answer would be because the central banks are not clever enough to manage any system other than the gold standard, or they are not clever enough to persuade people to think they are clever enough to manage any such system.