in effect: "America will never go back to the depression of 1932 for the very reason that if it did there would be a revolution." People will not stand for a return to that condition, because the people know that depressions are not made by God, they are made by men, and everything made by man can be changed.

It is just as well, in trying to reassure ourselves that depression need not come back after the war, to make an analysis of what brought the last depression, why it continued and why we did not cure it. Let us go back to the period 1928-29. At that time we did not hear anything about unemployment. We had very few agricultural problems; generally speaking, agriculture was prosperous and production was being maintained near its maximum. Then what happened? In the spring of 1929, all of a sudden, without any warning at all, people's line of credit at the banks was curtailed. People who had been in the habit of going to the bank year after year and getting a line of credit suddenly found that credit cut off. From 1929 to 1932 $900,000,000 was withdrawn from circulation. Anyone who was in business at that time knows that that statement is correct. Men were discharged on account of industry having to curtail production; that reduced purchasing power and resulted in reduced sales, and we went into the vicious spiral of deflation.

It was a common thing during the period from 1935 to 1939 to hear members of this house and the then Minister of Finance criticize industry for not having sufficient confidence to expand production. But could you blame industry? Industry at that time was having a very hard job to sell the goods it was producing; industry knew only too well during that period that if it increased production it would just have a surplus on its hands. To-day even most economists admit that the reason that condition existed was that owing to certain practices inherent in the capitalistic system, industry does not and cannot create an effective demand for its own production, except in times of abnormal capital goods production; and during that period our production of capital goods dropped to a very low level. Therefore we are faced with one of two alternatives; either we have to follow the practice of all capitalist countries and try to maintain a large favourable balance of payments, or, on the other hand, we have to issue additional purchasing power outside the industrial system to make up the deficiency of purchasing power. The policy of this government has always been to try to maintain a favourable balance of payments, and from 1925 to 1929 we had an average of $200,000,000 a year. I remember in the banking and commerce committee asking Mr. Towers, the governor of the Bank of Canada this question: Is there any reason why we could not put into operation $200,000,000 of national projects financed by the Bank of Canada so that the money paid out on these projects will create a demand for the goods for which we have a credit abroad of $200,000,000? Then importers knowing that these goods can be sold if brought in would bring them in. Mr. Towers answered:

> That is a matter of government policy.

He did not try to deny it. If the government had decided to maintain an even balance of payments to build up the wealth of the country and issue enough purchasing power to assure that the goods, once produced, could be purchased, it could very well have put the people to work on national projects by expending at least $200,000,000 so that there would have been a demand for the goods we already had a credit for abroad.

But, as we know, that policy was not followed. It may be interesting to note the extent to which other countries have gone in order to bring about prosperity by the practice of expanding foreign trade and maintaining a large favourable balance of payments. The country I have in mind, the outstanding country in that regard, is England. I should like to read a statement which was made by Reginald McKenna to the American Bankers' association on October 5, 1922:

> For over two centuries British capital, that is, credit, had been lent to other countries; year by year England produced more than she either consumed herself or could exchange for the products of other nations, and she could not obtain a market for the surplus unless she gave the purchaser a long credit. Foreign loans and foreign issues were taken up in England and the proceeds were spent in paying for the surplus production. British factories and workshops were kept in good employment, but it was a condition of their prosperity that a part of their output should be disposed of in this way.

I should like to read also a statement made by Sir Arthur Samuel, former secretary to the treasury in the Conservative government, writing in the *Times* supplement under date of November 1, 1930:

> During the last sixty years fleets of ships have carried abroad millions of tons of merchandise, shown in the board of trade returns as exports, but the nation has lost an important portion of their total value. That can be proved by the fact that our surviving overseas investments prior to the war amounted to only £4,000 million. Of that amount we parted with £1,000 million owing to the war. That total ought, however, in my opinion, to be very much larger—not less than £6,000 million at the very least. Therefore, at a cautious estimate, I say we have lost not less than £2,000 million