

dian municipal securities; British, foreign and colonial public securities other than Canadian; and railway and other bonds, debentures and stocks; in all some \$700,000,000 odd.

Mr. STEWART (Edmonton): I am speaking particularly of Canadian securities. But I do not want to divert the discussion in that direction, I merely ask whether or not the inflation, if you may call it such, affected our exchange?

Mr. BENNETT: It affected our exchange in this sense. As long as we were doing business necessitating the release of currency in order that the business might be transacted there was no question of depreciation because it was largely an internal matter, and the balances that arose took care of the situation at the time of maturity. But I was going a step further. What happened in 1929? We had \$40,000,000 due in New York. How did we pay it? The late Mr. Robb paid it with gold shipped from this country, substantially that. And from that moment this country ceased to be on the gold standard. That is the position.

Mr. YOUNG: Because we paid in gold?

Mr. BENNETT: No, because we depleted our gold coverage, lessened the amount of gold we had for the purpose of meeting our obligations, under the Finance Act or otherwise. I can only say this, that as far as the issue of \$5,000,000 or \$6,000,000 in paper money by statute is concerned, it would not affect the credit of this country, technically. In reality it would greatly affect it, as it did in 1915. If one will take the trouble to look at what happened during the war, when enormous quantities of goods were being sent out of this country, creating favourable balances, one will realize how easy it was to emit these sums of money at that time without affecting the national credit structure. But when there is a depression throughout the world, such as there is to-day, you have exactly that situation developed that curbs and lessens your ability to do it without affecting the whole credit structure. I had a letter the other day from a gentleman who said this to me: "I have this matter completely arranged. All you need do is just simply tell everyone holding the \$2,500,000,000 of Canadian bonds that you will hand them Dominion of Canada bills, and that will stop interest at once." The committee smiles; but as you see, this man had in his mind the same idea, carried to the extreme, as the suggestion made by the hon. member for North Bruce.

Mr. MALCOLM: Quite a different idea.

Mr. BENNETT: Exactly the same.

Mr. MALCOLM: No. The Prime Minister will pardon me if I say that it was a different idea that I advanced, for this reason. We issued \$68,000,000 of treasury notes for the complete destruction of property. There was nothing left of the property for which the notes were issued—no assets whatever. In the case of using the credit of the nation to issue currency instead of bonds for construction you decrease the cost to the tax-payers of the public building, and when you have spent the money you have a physical asset, the property of the dominion, which represents something for the money that has been spent and which will be redeemed through taxation by statutory enactment over a shorter period of years than if interest rates were charged.

Mr. BENNETT: It is entirely erroneous to say that the issue of money in this country was for non-physical assets. I think it should be at once explained that the money issued in connection with the expansion of our currency in 1915 was to the railways; and so far as—

Mr. MALCOLM: I thought it was war purposes.

Mr. BENNETT: No, that was for railways. When you come to the question of money issued for war purposes, I think the hon. member for West Edmonton, who made the statement, will realize that instead of being injurious so far as we in this country were concerned, it was the basis of expansion of our industrial development. Every shell order that came to this country served that purpose, and so did every munitions order and every order for wheat. Everything of that kind meant a permanent addition to the wealth of the country.

Mr. EULER: Over-expansion in many cases.

Mr. BENNETT: I wholly agree with the hon. member in that regard, but it did represent tangible assets. Now, I was going to answer the question which the hon. gentleman put to me—the last question—with regard to putting up a public building for six or seven million dollars. I dare say it will come as nothing new to him when I say that I discussed with the Minister of Public Works the question whether it might not be possible under certain conditions to do the very thing that has been suggested. Then I discussed it