

to rise to about the same level as if Canadian wheat exports were of normal value and the income of wheat growers derived from foreign trade rather than to a large extent from an internal payment.

In the absence of the normal receipts from foreigners in payment for our wheat, such an increase in imports would bring pressure on the balance of payments and depreciate the Canadian dollar in relation to other currencies.

The effects of currency depreciation have been covered in some detail by an earlier memorandum which has been placed on the record. I believe that it would involve an undue amount of repetition for me to go over that ground again and that it would be enough at this time to mention the major results of such a policy—which are the increased cost of all payments abroad and a general rise in the level of internal prices and later of costs. Bearing these developments in mind, I believe that the existence of a sacrifice by important sections of the country becomes clear.

In concluding, I would like to emphasize again that what I have said has not been related to the amount of assistance which it is desirable to give to depressed areas in our economy because that is a matter of government policy and is entirely outside my province. I have simply attempted to show that the suggestion made by Mr. Tucker would not be, under existing Canadian conditions, a method which would not involve sacrifices on the part of other sections of the country.

(d) Increasing Per Capita Currency in Order to Redeem Government Debt

(Submitted by Mr. Towers in reply to Mr. Tucker)

(Volume 3, page 89)

At the last meeting of the committee, Mr. Tucker requested me to deal with the points raised in his speech of February 16th inst. in the House of Commons.

One of the suggestions which he made on that occasion was that if we issued the same amount of money per capita in Canada as they have in issue in the United States, we could issue another \$220 millions, and use that money to retire interest-bearing debt. I should point out that in using the words, "money per capita" Mr. Tucker was referring to currency in circulation per capita.

I think I am correct in saying that the suggestion was based on a comparison between the active currency circulation in Canada and in the United States. I fully appreciate the desirability of examining the situation in other countries to see whether something can be learned which would be advantageous for Canada. But I am afraid that comparisons of active circulation have no meaning. To my mind, the amount of currency in circulation at any given time merely represents the amount of money which the public chooses to keep in its pockets rather than on deposit with the banks. The amount which the public chooses to keep in the form of currency is partly determined by the extent to which people make payments in currency rather than by cheques, which in turn is partly dependent upon the availability of local banking facilities. The amount is also influenced by the activity of business, the level of prices and the velocity of circulation; it may also increase as a result of hoarding, either through lack of confidence in the banking structure or as a result of foreign acquisitions. For example, the note circulation of Great Britain has been swelled by reason of the fact that many people on the Continent have desired to hold the currency of that country. Part of the increase in United States currency circulation has been due to the same cause, but in that country there have been also important domestic factors.