

It is not too early to be working out ways of dealing with the problems which will arise when once again all the participants in this war will be driven by the pressure of accumulated debt to seek to sell abroad at any price while none will be willing or able to buy.

It is for that reason that we in this group have made the remarks we have, and we shall continue to make them during this session because, Mr. Speaker, we must not only win this war but win the peace to follow. We won the last war; but most certainly we lost the peace, and it is not too much to say that this war is a result of our failure to use our victory in the last war to make a victorious peace.

Much has been heard of inflation; but neither the minister, in my opinion, nor the majority of the members of the house have come clean, if I might use a slang expression, on this question of inflation. After the abortive dominion-provincial conference, when Mr. Hepburn suggested an expansion of the currency, which I neither condemn nor praise, immediately the press was filled with talk of inflation, rubber money, and so on and so forth; but I have yet to see one paper or hear one minister, for that matter, or any member of the house say one word of condemnation of the policy of deflation from which we have suffered more or less since the last war. Let me quote from the *Monetary Times*, which no one will accuse of being radical or social credit. In its edition of January 25 last, in an article on Laval and Flandin, it says:

Flandin had become Prime Minister in November, 1934, after the fall of Doumergue. In his programme speech he declared: "Deflation in France is practically at an end. I reject any economic and financial policy that would tend to pauperize the labouring classes of France".

It was not so easy to carry out such a policy. The Banque de France refused to rediscount treasury bills. Flandin wanted to cover the budget deficit by short-term borrowing in order to keep out of the capital market, in the hope that interest rates in the capital market would go down and thus stimulate private investment. The banque's attitude was most embarrassing.

So Flandin dismissed Moret, the governor of the banque, and appointed Tannery. All went well for a while and might have gone well for a long time if banking interests had not spread the rumour that Flandin intended devaluation of the franc, and that his policy must lead to devaluation anyway. It was in vain that in refutation of those rumours Flandin announced that gold coins would be minted. The public became very nervous and confidence fell very low.

De Wendel, the great captain of French heavy industry and the most influential regent of the Banque de France, publicly outlined a deflationary policy, and implied that the franc would collapse if Flandin did not adopt his programme. . . . Flandin asked for plenary powers to carry out de Wendel's programme, but the chamber was irritated and overthrew him.

Laval became his successor. He earlier had learned a profound lesson from the banque. . . .

One point particularly is well worth remembering to-day, because attempts of the same kind are still being made in certain countries. Following the demands of the banque, Laval decreed deflation of unheard of severity. Above all, he cut down the extraordinary budget to the ridiculous amount of six billion francs, then about 300 million dollars. The extraordinary budget included the expenditures for armaments. This happened in 1935, one of the five years in which Hitler spent, all told, 40,000,000,000 dollars on armaments.

When we are reminded, as we were this afternoon, of Mr. Churchill's statement that "never was so much owed by so many to so few," one of the main reasons for that situation was the policy of deflation which was enforced by the banks, and I might say that this was true in Great Britain and true also in Canada. That is the reason why one Spitfire still has to face from twenty to thirty Messerschmitts. It was not that we lacked the men or the materials or the skill to build aeroplanes. It was because of the deflationary policy imposed by the banks and by international finance, and we cannot realize the truth of the matter until we realize that one fact.

Nor is the end yet. We have had nothing but deflation all these years, and now in war time we are still promised the same thing. Speaking at the annual meeting of the shareholders of the Dominion bank this winter, Mr. Carlisle, the president, said that generations following us will labour under the debts now being accumulated and that there is only one remedy—drastic economy. In other words, tighter belts. He says that our hope lies in greater exports and in internationalism. Then he goes on to say: How can we best bring about this better state of affairs? And his answer is, by reducing the number of governments and by revising the franchise so that the unfit and the unworthy shall not have equal rights with those who work and produce and pay. Beyond question there is everywhere a drive for what they call fewer governments, a concentration and centralization of power.

Well, I say this, that if we want that sort of thing; if we want, as many people in Canada to-day openly advocate, a union of governments under one world control, what are we fighting Hitler for, because that is exactly what he wants? I say, too, that a year ago last September I did not from my place vote to involve the people of this country in a war for the purpose of destroying the sovereignty of this country and the sovereignty of the British empire. I did it to preserve those things, not to destroy them.

Of this I am sure, that democracy as we have known it and orthodox finance cannot both survive this war. From what I hear and