

afford to permit. It may sound very hard, but for the Dominion of Canada solemnly to determine that it would not pay the interest on its debt except at three per cent when the bond said four per cent would be the ruin of Canada. That is all. Much more true is that with respect to private obligations, because once it gets abroad that we are prepared to enact legislation, whether it be provincial or federal, that destroys the contract made between the borrower and the lender—destroys it I say—and substitutes for it something else, that moment we have become what is familiarly known as “welchers.” Let us face this thing like men, that is all there is about it. There is no getting away from it, we might as well be frank.

But what we did was this; we went further than many people thought we should, but not further than I thought we should; we availed ourselves of the provisions of the bankruptcy clause of section 91 and made it possible for those in dire distress to effect a compromise that would commend itself if necessary to the judgment of a court of review. Could anything go further than that and still be legal? Before we did it the Supreme Court of Canada declared that such a proposal had legal validity. Thereupon we had the Farmers' Creditors Arrangement Act which conferred upon those authorized the power to make settlements or compromises in the nature of bankruptcy proceedings. Every province of Canada except one has joined in cooperation to permit such debts to be the subject matter of adjudication. In one province an injunction has been obtained and proceedings stopped on the ground that it was an undue exercise of power by the parliament of Canada, and we shall withdraw the operation of the act from that province, so that there will be no question in that regard.

The student in the future who looks back upon the last few years will find that more was done to reduce the rate of interest in Canada with respect to our national obligations, and reflected also in the price of money elsewhere, than at any period of its history since confederation. The other day we were able to borrow money on treasury bills at less than two per cent. I am sorry to say that because of what happened in one particular area it has been suggested by certain institutions that the rates of interest be raised. But when we talk of the burden of interest it comes down to the question of increasing the price of primary commodities by any means within our power so that the purchasing power of money will bear some

[Mr. Bennett.]

relation to the purchasing power when the obligations were created. Everyone knows that. I recall that under the will of a testatrix a great insurance company had to provide a sum of money which was to be set aside so as to produce a given revenue, with the exhaustion of the fund at a given time. The chancellor of the state of New Jersey, the question having been referred to that court, wrote a most elaborate judgment in which he pointed out that in his opinion interest rates, the price of money, would decline; and therefore a very large sum was set up for the purpose. Within three years interest rates began to climb. When I say that one of the richest shipping companies of the world was paying six per cent upon a mortgage made within the last twenty years in the city of New York I am but stating something well known to everyone. To-day the rate would be much less than that, yet that rate must be paid because it was the going rate at the time. If obligations are created without provision for the reduction of the rate with the increase in the purchasing power of money then the contract must be observed if we are to maintain the character of our people. I pointed out the other day that one of the South American republics had not paid the interest on their external debt, although there is quite a boom on in that country. I could point out that in other countries similar conditions have existed. But my point is that any attack that can be made against the administration of this country's affairs during the last few years certainly cannot be made on the question of the reduction of the rate of interest.

As far as debt is concerned, I think most of us will agree that this country is overburdened with debt.

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: I do not think any man will question that. I well remember a former minister of the crown saying to me at the time of the war, Germany must pay this, for we will never be able to. I have never forgotten it, it was a very sound statement. This country has a debt, incurred directly as a result of our engaging in European hostilities, the annual interest on which is much more than the whole national debt of this country for many years after it came into being. That is a serious fact. But to state the fact is not to remedy it, to call attention to it does not cure it. Attention has been called to it in this house and will be. I believe that by 1937 someone must undertake the great problem of a Canadian conversion.