

The \$70,257,103.19 is made up as follows: First, \$50,000,000 at twenty-five cents on the dollar; that is \$12,500,000. Then the \$50,000,000 deducted from the total outstanding, exclusive of the special sums authorized by statute, leaves a balance of \$57,757,103.19 for which there is put up dollar for dollar. This gives a total of \$70,257,103.19 which is covered by gold. But there is no gold deposited for the purpose of securing the \$68,000,000, in round figures, issued under conditions exactly similar to those mentioned by the hon. member for North Bruce (Mr. Malcolm) though not for the purpose he indicated. That money in part went to pay loans and advances to the railway companies during the war and in part to the banks under the Finance Act and has no metal coverage. Therefore, so far as this country is concerned, there is now outstanding some \$68,000,000 of money that has behind it no metal coverage at all, nothing but the promise to pay of this country. That has been so since the days of the war, and that was one of the factors that had to do with some of the difficulties experienced by this country in the depreciation of its dollar in foreign markets, to which I shall presently refer.

If any of the hon. members of this house are interested in reading the story of gold they will find it in the library in a book published about twelve years ago. I am not going into that question except to say that, gold being the rarest and most valuable metal for its weight and volume, by universal consent has become the yardstick by which to measure the issue of paper money. Without going into details I think that is a fair statement. Practice and custom have determined just how much gold should be held to meet the situation. Roughly speaking, as the hon. member said a moment ago, forty per cent is regarded as a reasonable coverage for the issue of paper money. All paper money issued, as will be observed by looking at the paper itself, says that the Dominion of Canada promises to pay to the bearer on demand the face value of the bill. We will take a hundred dollar bill; the promise is that on presentation of the bill at a particular point the country will provide \$100 in gold. The practice of the banking world has established beyond question that if we had the normal movement of trade and exchange there would be no difficulty in meeting every demand that might be made upon the central authority for gold. That is the reason the coverage is not dollar for dollar. If money is circulating and revolving in the hands of traders and discharging its normal and proper functions there is no inclination on the part of the traders to

ask for gold except for specific purposes, such as for use in the arts, or where tenders must be made, or where international obligations must be met under terms of contract that compel the production of gold either in bullion or in coin to discharge the obligations. Forty per cent is regarded as a reasonable ratio of metal coverage for the paper money issued, and it is believed that if normal conditions prevailed this process could be kept going interminably.

The very essence of the value of the promise on the bill that the dominion will pay on demand is convertibility into something that has a known international value. If that thought is once in our minds I think we will have no difficulty in following what I desire to say during the balance of this short statement. Convertibility into what? Into gold, because gold is a medium of international exchange that can be relied upon as a universal and fixed standard in every country of the world. That is what is meant by the fact that all countries have had what in theory we call the gold standard, because it is the standard that thus far has been fixed by mankind for universal values between nations. Convertibility, therefore, has become the essence of the issue of paper money, and convertibility means convertibility into something available to meet international charges or obligations however they may arise, whether in the form of contracts by the nation itself or in the form of trade balances that may arise by reason of an excess of purchases over sales.

I forget how long ago this was started, because I have not looked into the matter carefully for some time, but we gradually provided that our metal coverage should be what it now is, namely par over \$50,000,000, and that amount of \$50,000,000 was an arbitrary figure. The hon. member for West Edmonton asked whether that was so. It was not always \$50,000,000; that figure was fixed by parliament, and it was felt that having regard to the practice of banking and the call for conversion that figure would meet any demand that might be made on the basis of convertibility, and of twenty-five cents on the dollar to convert. It might have been, and at one time it was, a smaller figure, but with the expansion of the country, the undesirability of men carrying gold instead of bills, the undesirability and practice of keeping gold in safes instead of bills, and what you might call convenience in business, it was felt that the figure might be fixed at \$50,000,000, and that twenty-five cents on the dollar in gold up to that figure would meet what you might call the reasonable demands of trade and commerce.