

dition of the country that emits or issues the bonds. This country at the present moment has reached a margin of borrowing which under the ordinary rules that govern, according to the books, is almost its maximum borrowing power, unless you have a rapidly increasing population or great natural resources that are being rapidly developed. That is the reason that the increase in gold production in this country has added relatively so greatly to confidence in the country. And the reason is obvious.

Now take the case of constructing the building. I have very little doubt that the issue of \$5,000,000 or \$6,000,000 additional paper currency by this country would not greatly prejudice its currency.

Mr. EULER: Under statutory control.

Mr. BENNETT: Issued under statute, as this was. But it will be observed that on the very threshold of the issue of paper we are not keeping to what is called sound banking practice. That practice, not national, but international, is that there should not be paper issued unless there is some provision for its payment. That is the reason why sinking funds were so strongly urged by Pitt as being a sound basis of the country's borrowing, and the reason that sinking funds in domestic issues of bonds are regarded so highly. If we issued \$5,000,000 or \$6,000,000 of our promises to pay by statutory authority I do not think it would greatly hurt—

Mr. MALCOLM: We have issued \$67,000,000.

Mr. BENNETT: Yes, \$68,000,000.

Mr. EULER: May I ask a question at this point? The Prime Minister has stated that there was some \$67,000,000 of federal currency issued during the war for which there is no gold coverage whatever. I would like to ask whether the \$67,000,000 so issued is identifiable in the hands of the public, and if it is not, if it is merely part of the general issue, whether our coverage is not a great deal less than forty per cent?

Mr. BENNETT: Last year I pointed out that fact to this committee. There is no difference between the thousand dollar bill issued under the act of 1915 and the thousand dollar bill issued under the Currency Act. And as bankers put it to me, one of the factors that reduced the value of our currency is the effect of these outstanding obligations in lessening the amount of metal coverage. But there are differences of opinion about

[Mr. Bennett.]

that. There are gentlemen in this committee who say that that cannot be so. I am only saying that the inquiry I have made—and like everyone else in this house I am dependent for my information on the inquiries I make—my information is that the depreciation in value of our dollar is traceable to the fact that we had inflated our currency by \$68,000,000, which reduced the coverage beyond the point mentioned in the statute, so that instead of it being twenty-five per cent up to \$50,000,000 and dollar for dollar thereafter we have an average coverage at this moment of forty per cent.

Mr. EULER: But since that \$67,000,000 was issued some fifteen or sixteen years ago our money has been at par.

Mr. BENNETT: Surely it has.

Mr. STEWART (Edmonton): Before the Prime Minister continues, may I ask this question: for the past twelve or fifteen years at least, every fall banks come to the treasury and secure additional currency on the deposit of securities. That has had no appreciable effect upon exchange.

Mr. BENNETT: The hon. gentleman is entirely right about that. And I have tried to indicate the reason why. It is all predicated upon—

Mr. STEWART (Edmonton): The requirements of business.

Mr. BENNETT: Not only upon the requirements of business, but as the business is completed the withdrawal of the money from circulation is ensured. Therefore it is a temporary movement of money, and it is secured by such ample security that no question as to its value could arise.

Mr. STEWART (Edmonton): In that connection I want to ask this other question; that security, or the proceeds of it have been in circulation before?

Mr. BENNETT: No, not the proceeds of the security.

Mr. STEWART (Edmonton): Oh, yes. These securities that are deposited by the banks are securities against which currency has been issued.

Mr. BENNETT: No, they are bonds that the banks buy. If the hon. gentleman will take the bank returns, the last one, and look at the assets he will find under the appropriate column the amounts of dominion government and provincial government securities; Cana-