# Inflation Fallacy Fine Non-Partizan Speech By Bennett

(Continued from Page 1)

to supply the requirements of the rural population. This complementary activity, by which the agricultural population on the one hand finds an ever-increasing market with the development of our resources, and on the other hand ever-increasing opportunity to purchase the products of mill and factory, indicates I think the ideal development of our country.

But it follows that a country so rich in resources as this, with forests and fisheries, minerals and farm lands, with this magnificent heritage of resources, with a population so small as ten and a quarter millions of people, necessarily has an increasing quantity of products for exports. Hence it is that, although with the shrinkage of world trade we found a great diminution in our exports, and sank to sixth place amongst the trading countries of the world, I am happy to tell you that once more this young country of slightly more than ten millions of people occupies the proud place of fifth among the exporting countries of the world, exceeded only by Great Britain, the United States of America, France and Germany. That is a remarkable achievement. And it seems to me it might be well for us to realize and recognize tonight, gathered in this great city, the sacrifices that the Canadian people have made through taxation, through the burdens imposed upon themselves and upon posterity, to make possible this achievement. Highways, railways and seaways have been constructed alike by the Provinces and the Dominion that trade may flourish. Our highways have rendered ever-increasing service for the conduct of trade and commerce. Our railways indicate that at one time at least Canadians had an entirely erroneous view even of our own importance, for when you contemplate what it means that the collective credit of the Canadian people was used for the purpose of guaranteeing against loss as far as financing was concerned, rival enterprises whose function it was to complete with one another and destroy one another, you can understand something of the causes that contribute to this country having a deficit in railway operations last year amounting to about seventy million dollars including indispensable capital expenditure.

### THE RAILWAY PROBLEM

Gentlemen, there is no problem the magnitude of which is so little understood, that touches so closely the life of every Canadian, as the railway problem. I will not dwell upon it tonight, but I trust that every young Canadian will make himself familiar with it and understand what is involved, for in my judgment it is one of the greatest and darkest clouds that overhang the future of this young Dominion. The solution of that problem, whatever it may be, calling as it does for qualities of the highest character, will be painfully brought about. I say that deliberately—though with every confidence that we will find the solution.

But, may I point out, there is a tendency sometimes to blame the east for the railway problem. That should not be done, except in so far as those who promoted the enterprises through our national Parliament made possible the result which now confronts us. But it will be recalled that at least one of the great competing systems now merged in the Canadian National could never have come into being but for the fact that the three great agricultural provinces gave their guarantees to its securities—to the securities not only of one but of two systems. So we should take stock of our common responsibilities, east and west, with respect to the situation that now confronts us. I recommend it to your hearty consideration and closest study, that you may arrive at proper and adequate conclusions.

We have hundreds of millions of dollars invested in our railways. In our Great Lakes and St. Lawrence Waterways system we have hundreds of millions of dollars. We have contributed many millions more in constructing our highways, in all the terminal facilities at Vancouver, Montreal, Quebec, Halifax, Saint John; wharves and harbors built by the taxpayers of this country to afford facilities for the transaction of trade—east and west trade—realizing that on the northern half of this Continent if we are to maintain our identity as a people it is absolutely essential that we should have and maintain common arteries of east and west traffic.

We have built these great railway systems, these great canal systems, these great harbor works and terminal facilities for the promotion of trade, and it is a striking commentary on the vision and prescience of the Canadian people that they looked so far beyond the narrow confines of the immediate day, that in this very year we have a trade which ranks fifth amongst the exporting countries of the world. It is a tribute to our vision, but on the other hand it has placed upon us an enormous burden, and the question must sometimes occur to many of you business men whether or not the toll exacted from you is not greater than the results which have been achieved. That problem will become more acute as the days go by, with a clearer and fairer appreciation on your part of what is involved in the steadily mounting, but I trust in reasonable time, steadily lessening railway deficits.

### CANADA'S CREDIT SYSTEM

But we have done something more than that. In the years past we have built up a vast financial and credit system.

It was not until 1871, as some of you may recall, that we passed a law providing for the uniform value of the dollar, although in Old Canada in 1858 provision was made for the keeping of the public accounts in dollars and cents instead of in pounds, shillings and pence. We have developed a system of public finance that, while it is open to some criticism, is in the main I think satisfactory. At least it commands the admiration of people abroad, who are well able, by reason of their power of dispassionate criticism, to determine the extent to which the provision we have made meets the demands made upon it. Public Finance—How have we met it? We have met it by providing for the issue of paper money, which, as some of you will have noted, is a promise to pay on demand the amount indicated on its face. We have provided for the issue of that under a metal coverage. In other words, we have provided that when paper money has been issued by the Dominion of Canada there shall, to the extent of 25 per cent. of the issue up to fifty million dollars, be deposited in the public Treasury $12,500,000 or 25 per cent. in gold. And thereafter, for every dollar issue, a dollar in gold.

Gentlemen, the mere issue of paper money, so far as we ourselves are concerned and as I will hereafter develop, is not a matter of profound importance. **But when it comes to the issue of paper money for the purpose of liquidating and discharging international obligations, then it is all-important what is behind the paper that we call money.**

The provision of our law that requires 25 per cent. up to $50,000,000, and thereafter dollar for dollar in gold as coverage for the paper money, is perhaps somewhat higher than modern experience and practice would indicate as being necessary. I am told by those well able to judge, by bankers and expert economists both here and in Great Britain and in the United States, that a 40 per cent. gold coverage for the issue of paper money, regardless of what the amount might be, would be sufficient to meet every demand that experience and practice have taught as likly to arise. I will not go into a discussion of that tonight, but content myself with pointing out to you that in our desire to expand trade we have made the provision which I have indicated in our currency legislation. And we have provided further that, to meet these extraordinary conditions that arise in every country that is so largely dependent upon a seasonable crop such as grain, the securities of this country may be taken by the banks to the Federal Treasury, and the banks may there obtain legal tender or promises to pay of the Dominion, to enable them to finance and carry on the operations of export trade of buying and selling commodities. In the main that provision has been found satisfactory. Whether or not it adequately takes the place of a central bank it is not my purpose tonight to enquire. It would seem to me that before any conclusion is reached regarding that matter, we must have the closest possible investigation of conditions in our own country that we may **in the light of our own experience and our own conditions be able to determine what is best for us, rather than what has been best for other peoples in the world.** (Applause).

### CANADIAN BANKING SYSTEM

Then, turning to the field of quasi-public and private finance, we have our great banks, incorporated by the Parliament of Canada, regulated under the provisions of the Federal statute known as the Bank Act. Under our Constitution banks and banking are dealt with solely by the Federal power, and in dealing with this subject regard must ever be had to the fact that the banks are chartered for a period of ten years. At the end of each 10-year period they seek renewals of their charters, so that Parliament, representing the people, may be able in the light of practice and experience to impose upon them such regulatory provisions as will ensure on the one hand that their deposits are being made available for loans to the public on fair and reasonable terms, while on the other hand that the money of depositors is safe-guarded in every reasonable way. Gentlemen, it is a matter of some pride to those charged with rsponsibility in these matters to know that the banks, during this period of stress and strain, have discharged with great satisfaction not only to their own customers but to this Dominion and all its citizens, the great responsibility that rests upon them. Sometimes there are complaints against the banks—why there are even complaints against the present Government!—but I want you gentlemen, whether or not you are associated with financial institutions, please to remember this: the capital of banks is relatively small. Practically the whole of it will be found any day, with the reserve and surplus profits, in the till and in buildings and other assets that are not available for lending to the public. The business of banking in this country is to receive deposits and lend them to those who can afford to borrow. Tonight I will put this to some of you within sound of my voice, either in this room or elsewhere! I ask you whether or not you believe your banker at any time in declining to make a loan has done more than you would do with your own money in like circumstances. That is the test. For remember, the business of banking in Canada is the business of safely investing in loans the deposits of the many. What would happen if you had bankers so disregarding their obligations and responsibilities as to lend for three or six months, or for thirty days if you will, to customers who when the time has expired are unable to pay. Then you would have the frozen credits, then as a depositor your cheque would go to the bank and be dishonored. Then the doors of the bank would close, as happened nearly 4,000 banks in the United States during the last 18 months.

Gentlemen, **the business of banking is the preservation of an equilibrium between time loans and time deposits, between demand loans and demand deposits,** and if a banker is so recreant to his trust and his responsibilities to his depositors, as well as to his bank and the public as to lend money thoughtlessly or recklessly, if that is done on a sufficiently large scale, then it follows that when the moment comes that the depositor demands as is his right his money back it cannot be obtained because it is tied up in a loan that is not and cannot be paid.

I say these things tonight because I am speaking to an audience not all of whom are trained financial men, as are many in this room. But I desire to make it abundantly clear that the people of this country should understand clearly that **a reckless banker is no friend either of theirs or of the community.** The need of caution in making loans is of the highest importance, because if the depositors are to be paid on demand there must be no careless loaning of their money. (Applause).

And I repeat, it is a matter of pride and satisfaction that wherever the name of this country is known—and it is known in every part of the globe—**our banking system is regarded as being sound.**

I do not say there are not many improvements that may be made, that can be made, that will be made. But I do say that Canadians in this time of stress and strain and universal depression should rejoice in the fact that no depositor in a Canadian bank has had to take his cheque back because it could not be honored, that no banks have closed their doors, and that in the smallest and most remote part of this Dominion there is usually a branch of a great chartered bank that offers facilities to those living in these small places comparable with those afforded to you in this great City of Toronto. (Applause).

Now, gentlemen, the banks also issue paper money. The banks also enjoy a franchise, the franchise of issuing their bills, their paper money, against their accumulated resources, and if the need should come, against the securities of the Dominion of Canada itself. Now this becomes important in the light of what I am presently to say. In 1920 the Dominion had issued paper money up to $305,800,000 during the year, and the banks $228,800,000, making a total of $534,600,000. In the year 1920 that amount of paper money was outstanding, to serve the activities of the Canadian people, enable us to export our commodities in order to buy goods and to carry on this great business of trade and commerce. Last year the contraction in trade had become so great by reason of universal conditions, not worse in Canada than elsewhere, that the Dominion issued only $165,870,000 of paper monies as its average, while the banks had an average issue of $132,166,000, or a total of $298,036,000 of paper money outstanding. **You see, as trade contracts paper money contracts automatically, having regard to the provisions of our Finance and Currency Acts which I mentioned a moment ago.**

So if we keep in mind those two things, our provision for public finance, and our provisions through the regulation of our private efforts, through our banks and otherwise, you have what we call our credit structure. Young men, you who are on the threshold of business life and are facing and studying new conditions, I hope you realize that in these two combined you have an almost ideal credit structure. Much remains yet to be done, but for a country so young, with a population so sparse and inhabiting an area so great, **there is not in the long story of history a finer record of achievement with respect to the establishment of a credit and financial structure than is found in the combination of our public and private arrangements to which in part I have just referred.** (Applause).

There are difficulties of course. Normally conditions go on from day to day, from month to month, from year to year, in a regular course, and the gradual improvement necessary is made as the demand arises. But in the years just before 1929 a speculative era came upon the world, reaching its climax in that year. In consequence of the war, we had dislocation of trade and commerce everywhere, on an enormous scale, and creation of debts on a scale previously undreamed of in our wildest thoughts, yet by 1928 we believed we had achieved at any rate a fair measure of success in overcoming the difficulties incident to the post war period, and had achieved almost a return to pre-war conditions.

But by the latter part of 1929 we realized that all was not well, and in 1930 it became worse. In 1931 there were signs that the world was grappling with the difficulties and might overcome them.

And then Great Britain went off the gold standard. **Great Britain did not go off the gold standard because she wished to do so.** The British Treasury borrowed two hundred million dollars from the United States and two hundred million dollars from France to protect her position and supported with all her power and might and courage the pound sterling. Any of you who wish to hear a dramatic story I suggest that some time when you are in London you go to once of the great joint stock banks or the old Bank of England, and if you have a friend living who went through the experience of those days in September, have him tell you about it. I wonder if you can picture the sadness with which those men gathered together. This magnificent structure that had defied almost every force brought to bear against it; that had challenged adversity everywhere, was crumbling before their eyes. They had to say to the world,

> "we cannot maintain our position. The four hundred million we have borrowed with what we ourselves had, is gone; on the morrow we must admit our inability to redeem in precious metal of universal value our paper money."

I have talked to one of those men and I recall his emotion as he recounted that moment. Gentlemen, **tradition, history, pride, these are great things.** In the development of this country I hope they play a not insignificant part. Pride in our achievements, pride in our integrity, pride in our willingness to at all times meet our obligations in terms of our contract, is, in my opinion, legitimate pride.

That event is past. But the effect upon this world has not yet been fully understood. No single event that has happened in this Dominion since 1867 has had more far-reaching results upon our commercial life. It was the greatest single—shall I say disaster—that has overtaken Canada. It is so with respect to other parts of the world and as I develop what I have to say, I think you will agree with me.

At any rate those were the conditions that confronted us in 1931; universal depression, universal unemployment, universal shrinkage of trade upon which the world lives. Also a psychological condition, a state of mind, lack of confidence, suspicion, unrest everywhere. That placed upon us in this country obligations and responsibilities that we have rarely had to face. Gentlemen, your Government is not entitled alone to the credit for facing them with courage, as you said, Mr. Chairman, but the fine courage of the Canadian people, their resourcefulness, their faith, their absolute confidence in their ultimate destiny made it possible for your Government to carry on under such conditions, and thus far to weather this terrible gale. **And with your help, your sympathy and your assistance we shall continue to do so.**

### MARKETING PROBLEMS

Gentlemen, the great difficulties that confronted us, and confront us still, may be spoken of briefly as four in number. First, the difficulty in continuing to find markets abroad for our surplus products. Too frequently we Canadians have been willing to produce without regard to distribution. Take as examples newsprint and wheat. The consuming power of those who buy must be the determining factor where you produce for export. Here we have been producing thousands and thousands of additional tons of one and bushels of the other, regardless of the fact that there is no one who can use the one or eat the other.

The shrinkage of markets arose out of the fact that the conditions to which I have alluded obtained in every part of the world, and every country was trying to sustain its own life by its own efforts, **because it had not the wherewithal to go abroad and buy.** That is the reason why the price paid for wheat in some European countries is twice or three times as much as it can be bought for in Canada. Rather than go abroad and buy, upsetting their balance of trade, they found it desirable, by bonus and subsidy, to stimulate production within themselves of their requirements for the maintenance of their lives. I have not time tonight to deal further with that question; suffice it to say that the development of that sentiment amongst all the nations of the world, whether it be old nations such as France or Germany, or newer countries, it mattered not, everywhere you had the development of that spirit, and arising from it, whether through the raising of tariffs or otherwise, it was made just that much more difficult to sell Canadian products in the markets of those countries. Sometimes it amounted to prohibition.

Then a second difficulty was in connection with our trade balance. I am not going to discuss with learned men such as many of you are, the question of our trade balance. But I point out this, as the Right Hon. Ramsay MacDonald said, addressing a British audience some months ago, the State is just like a private individual, if it keeps on buying more than it can pay for year after year it is perfectly certain that in the end it will be insolvent. And if a new countrty or an old country keeps on buying more than it can sell, whether by visible or invisible exports it matters not, if it does this long enough it becomes insolvent. Therefore, if possible a favorable trade balance must be created. Every nation, including Canada, realized that and lessened imports in order that it might remain solvent; that its financial integrity might be maintained, and its credit structure endure. We have done what we could to maintain the solvency of this country as far as our trade balances are concerned. (Applause).

Gentlemen, I am not one of those who do not realize that it has brought inconvenience to many. You who have been engaged in the import business, I know how inconvenient it has been for you. Do you think for a moment that a Government does these things for mere sport? That we did not believe it necessary. **A favorable balance of over one hundred million for the year ended March, 1929, was converted into an almost equally large balance against us by March, 1930.** This indicates something that he who runs might read and understand. In the fall of 1930, we imposed additional tariffs and additional restrictions, for the purpose of remedying that condition, and **the result has been that at the end of last month this country had for the preceding twelve months a favorable trade balance amounting to upward of fifty millions of dollars.** (Applause).

The third difficulty we experienced, one which I merely mention, was the failure to realize that increased production, instead of being helpful, might become harmful. In other words, over-production, with no market, might result ultimately in reduction of the price of products to an extent meaning disaster to the producer. The present wheat situation is an illustration. There was at the beginning of this crop year a sufficient surplus of wheat in the world from the year before to supply the entire requirements of the importing countries. That indicates the danger of over-production. The other day those who are charged with preparing the agenda for the World Economic Conference said with respect to limitation of production that **"Such an arrangement is of special importance in the case of wheat, the cultivation of which represents the livelihood of a large proportion of mankind, and a better level of prices could perhaps be maintained by regulation of production."**

So you have a realization by the world at large of a condition which was one of our difficulties in Canada.

### CURRENCY DEPRECIATION

Another difficulty, of considerable importance to us all, was the depreciation of currencies. When the pound sterling fell from $4.86 to $3.70 ($3.30 in New York) and the currencies of all other European countries and of Japan fell to the level now obtaining, it created additional difficulties for the Canadian people. I will not stop to speak of the methods by which we endeavored to grapple with these difficulties, except that I would like to say a word with respect to the question that arises out of the depreciated currencies. Sometimes I find suggestions from those who have given little study to the problem to the effect that all that is necessary for us to do in Canada is to embark upon a policy of inflation. What does inflation mean? Nine out of ten that I ask have no answer, except they say, you will have two dollars where you had only one before.

Gentlemen, may I point this out to you; geographically, we are part of the North American continent. Who by taking thought can add a cubit to his stature? Who by taking thought can change Canada from being a part of North America to being a part of Europe? Gentlemen, I invite you to remember that fundamental fact, that the Dominion of Canada geographically is part of the North American Continent. And it gives me no joy to remind you also that financially it is in the same position. But frank recognition of a fact is absolutely essential if you are going to deal with the problem that it raises. In this year of grace, the Dominion of Canada must meet in the United States of America, Canada and Great Britain, for principal and interest on Dominion loans, direct and guaranteed, provincial loans, direct and guaranteed, loans of municipalities and a few public corporations, the enormous sum of $684,149,048. Of this $323,346,120 represents principal and $360,802,928 represents interest. **You will note the interest alone is almost a million dollars per day, including Sundays and holidays.** We have to provide this by renewals of our promissory notes or by payment. And of this vast sum there is due in the United States of America $266,124,100. Of this sum $109,392,776 represents principal due this year and $156,731,324 interest. The obligations of the Dominion due in the United States this year for principal and interest direct and guaranteed aggregate $108,244,576. Similar obligations of the provinces amount to $70,600,073; of the municipalities to $25,136,536 and of public corporations to $62,142,915. Let me place the problem before you in another way. **Our dollar is worth today in the United States less than ninety cents, not because of its intrinsic lack of worth, but because England went off the gold standard.** Before Great Britain went off the gold standard, our dollar was selling in New York at about par, ninety-eight cents and a fraction. Why? Because we always sold more goods to Great Britain than we bought from her, and there was a surplus available to pay in New York the balance that was due the United States because we bought from them more than we sold. But with the depreciation of the pound sterling our dollar suffered in terms of the pound, and since that day the measurement of the value of our dollar has been in the terms of the dollar value of the pound sterling.

### INFLATION

Now I am leaving aside the question as to how you are going to accomplish inflation. I have asked many men for the mechanics of it, none of them have it except to tell me to borrow perhaps fifty million of dollars, and buy sterling and perhaps fifty million dollars and buy Americans exchange and so manipulate the two, as to maintain a stable value for the dollar in terms of the pound. I have had recipes of that kind given me, but they have not said who is going to lend the money or pay the interest. Gentlemen, when you hear people talk about tying the dollar to the pound, I say, from investigations which I made during the last month abroad, we are making ourselves absurd. I use that term deliberately. How are you going to do it? I talked to the foremost authorities in Great Britain, discussed with them the question of inflation in Canada, and do you know what they told me? If I mentioned the name of one of the gentlemen everyone would know it, I will not do so, but he is the foremost banker in England. (Laughter). Well, I am perfectly certain no two of you would guess the same man as being the foremost banker in Canada, so how can you do it in England? Many would say Sir Joseph Flavelle, many Sir Thomas White, and I see also present Sir John Aird and other very eminent bankers.

This is what he said to me: "Mr. Bennett, **in all the history of the world you will find no record of inflation or departure from sound money by any country of its own volition as a matter of deliberate choice. There are two reasons why countries go off sound money, two reasons only why they inflate their currency; one is because of necessity from lack of sound currency and the other insolvency."**

We in this country neither require more currency nor are we insolvent. (Applause). I want to make that perfectly clear. **There has never been a time in recent years in the history of Canada when there was so much money available in the banks and financial institutions.** Why? Because the very conditions that obtain in this country compel the banks to be in a position to meet every demand of their depositors, and they cannot do that with loans to you or to me that cannot be paid at maturity. **There is no shortage of currency.** There has been a contraction in bank notes, in issues under the Finance Act, there is a continued shrinkage there. Why? Because trade has languished throughout the world. Just the day before yesterday, it was reported that in the joint stock banks in London and in the Bank of England there is more money than in the memory of man in recent years, over seven billion, if I remember aright; an almost unthinkable amount. So we have no necessity for inflation from the standpoint of lack of currency.

Then as to the second ground. I do not desire tonight to mention countries, that would not be right. But study conditions in every country that has gone off the basis of sound money and you will find that where it was not due to shortage of currency it was insolvency that compelled action. When I say insolvency I mean inability to meet their obligations unless they had recourse to some artificial means. I will only say this further; one never should speak lightly in times like this of what changed conditions may mean, but unless abnormal conditions obtain, unless something happens that cannot be foreseen, **this country dare not depart from a sound money basis with such heavy obligations maturing this year in the United States of America.** (Applause)

Did it ever occur to you what would happen to the credit of this country, that now stands so high, if we were to inflate our currency? What would happen to us in the United States, where our dollar is now worth below ninety cents, if it were worth only fifty cents? Who is going to pay that $266,124,100? Shall we default, or shall we maintain our proud credit position? Gentlemen, I need hardly say to you that since September, 1931, there have been moments of the gravest anxiety to those responsible for the financial administration of this Dominion. But the natural resources of our country, particularly of this great Province, provided $65,000,000 of new gold last year, new wealth, enabling us to meet every obligation abroad in the terms of the contract to pay. (Applause).

We have three kinds of those contracts; the promise to pay in Canada, the promise to pay in the United States, and the promise to pay in either one or the other at the option of the holder of the promise. All of you who cashed your coupons in Canada, when they were payable at your option in the United States, instead of sending them to New York, please hold up your hands. (Laughter). But, gentlemen, I hope you see fully the implications involved. Do you realize what would happen if you made the dollar of this country worth 50 cents, when you have these international obligations to meet? I repeat that it does not make much difference what kind of money you use within Canada—that is our business. But international obligations have to be met in the terms that the creditor provides, and the creditor has said, "Gold coin of the United States of America of the current standard of weight and fineness." He lent the money, we made the contract, and we must pay accordingly or be defaulters.

That is the issue. Can we deliberately inflate the currency of this country, knowing as we do that it will make our dollar, which is now worth say 90 cents in the United States, worth between 50 and 60 cents, or possibly less? What would be the effect upon their Canadian investments, representing approximately four billion dollars? They bought our securities because they had faith in the written promise of this country and its institutions. **Do you realize that in the United States of America the name of no country stands higher than that of this Dominion?** Why? Because we have met every obligation in terms of our contract, suffer though we have in doing so. Gentlemen, when people talk lightly of these things I ask you to remember what the implications are, what lack of confidence means. What is credit? Confidence. I have shown you how our credit structure has been built up by Public Act and private activities. Inflation would mean liquidtaion. Our bonds would be thrown upon the bargain counter. We would find our domestic market affected and would be compelled to take what we could get for our securities. Confidence would be gone. And, with the departure of confidence, credit also. And with credit the country.

I venture to speak to you tonight about these matters in these serious terms because I conceive it to be my duty to do so. I would be recreant to my trust if I did not endeavor to bring home to you the problems with which your Government has to deal, namely the maintenance of the financial integrity of this Dominion and the strength of our financial structure. Gentlemen, there have been dark moments in the past. In days gone by there have been times when your public men, confronted with great issues, have had to make decisions that were difficult to make. It is so even today. But they made them. By the sacrifice of those who have gone before, by their dauntless courage and resourcefulness, we had a race of men that would not think of repudiation and a country that has maintained the confidence of the world in its credit structure. (Applause). Young men, I know you will not be unworthy of the past. Sometimes when I hear it said, "Well there will be more money in circulation," I say, "What kind of money?" The answer I will give you is one that came to my hands last week. There has been meeting in Geneva during the last few weeks a body of men whose responsibility was to prepare an agenda for the World Economic Conference. That Conference will have to deal with problems that touch your life and mine, because under existing conditions there is no part of the world that is not our neighbor. A great fact, which we sometimes forget, is that modern science has made it impossible for any one people to live an isolated life. This is a world of neighbors, each is a neighbor of the other. What transpires in the most remote part of this world tonight you will read of tomorrow morning. Perhaps you may hear it on the radio tonight, before it happens if you are on the right side of the dayline.

England sent to Geneva to settle this agenda men of reputation to discuss the questions involved with the representatives of other countries. When the agenda was completed the groups of questions that are to be considered were stated to be:—

(i) Settlement of inter-governmental debts. I was able to tell them in England the other night—and it was with some pride—that we are the only country in the world that was engaged in the war that loses by giving up reparations, because we have no inter-governmental debts, but if we give up reparations we lose thirty or forty millions at least within the next few years. We do that for the peace and safety of mankind. But we get nothing, there is nothing to be forgiven us.

(ii) Greater freedom of international trade. (I would like to come back and talk to you about tariffs). (Applause).

(iii) Improvement of world prices.

(iv) Financial and monetary action with a view to suppression of exchange control, the resumption of lending, and the ultimate stabilization of currencies.

Under point (iv) the draft report goes on to say: **"The objective must be to secure the restoration of the gold standard, as per report of the Gold Standard Delegation of the League of Nations."** In other words, the British Delegation at this Conference saw the desirability, nay the necessity of having some medium of exchange that has a like value among all the nations of the world, an international value, and there being only one, gold, decided that we should return to that standard, for there can be no satisfactory method of conducting international trade while you have no uniform standard of value in the units of currency in the several countries. We all know that. So this Conference, that is to meet within the next few weeks in London, will deal with the problem of how we can by united effort secure the stabilization of exchanges, bring about the restoration,—not in the old way, in my opinion, I am bound to say—of international trade on a sound money basis. Far be it from me to say that an antique worn-out method shall continue, but there must be, in order that world-wide

(Continued on page 14)