wages also suffer. These salaries and wages may be rising, but they are not rising equally from firm to firm and from occupation to occupation. Those workers may be better off in inflationary times than those who are on fixed incomes, but there will be certain inequalities caused by inflation.

In the end, everyone suffers.

And if the government cannot sell its bonds to the people because the people have grown wary of placing their money where it will not maintain its value, a very serious situation develops in carrying on the nation's affairs.

The National Debt

Nevertheless, it is within the power of government, through its handling of the national debt and the supply of money, to speed up or slow down the insidious disease of inflation.

Ever since the war, more and more dollars have been purchasing relatively fewer goods. In the decade after 1946, the volume of production of goods and services climbed by only about 3 per cent per year, whereas the money supply rose by about 5½ per cent annually.

In the last thirteen months (through September 1958) the volume of output of goods and services remained virtually unchanged. But the supply of money in the hands of the people increased by a startling 14 per cent. There now are $114 in the pockets of the people or in bank deposits for every $100 thirteen months ago. The increase in the money supply in the last thirteen months has totaled $1,500,000,000. It is much greater than in any similar postwar period.

Meanwhile, the minor recession has caused some persons to save their money. From the end of April to September 17, dollar deposits in chartered banks increased by $808,000,000. The increase in deposits for the year up to September 17 was $1,418,000,000. This temporarily alleviated pressures which the artificially created money might have on the existing goods and services, pressures which might shrink the purchasing power of the dollar still further.

The Money Supply

The question is: What will happen if a boom comes quickly, perhaps next summer – as many believe – to spark a new spending spree? Will the $1,500,000,000 still be around to compete for the existing goods and services, which normally only increase in volume by an average of 3 per cent annually?

Will the government in the meantime drain off some of the

potentially competitive dollars by way of imposing and collecting higher taxes or through increased borrowing from the public, or by having its Bank of Canada sell some of its vast holdings of government bonds to the public and the chartered banks for cash and bank credits which thus would be taken out of circulation?

This is the great question in Canada's present inflation crisis. If the government does not do this, then prices will rise still further. The dollar will shrink more in purchasing power. Inflation will have exacted a still higher toll of suffering.

The "Printing Press"

If a government "printing press" ran off $1,500,000,000 in dollar bills, it could no more surely increase Canada's money supply than our Canadian government has during the past thirteen months. It has indeed called for the "printing" of some of the currency included in this total. It does not need to print it all because of a money and banking technique which will be described. Nonetheless, the whole process is called the "printing press" method of creating money and credits.

The technique sometimes is used by our governments when borrowings from the people's savings are not sufficient to cover deficits incurred in an attempt to please everyone.

Sometimes governments "print" money because they wish to avoid the politically unpopular action of raising taxes to cover the deficit. The terrible fact is that in seeking to avoid a politically unpopular action, an extremely harmful economic force is set in motion, which makes everybody's income and savings buy less by lowering the value of the dollar.

That is why the money supply is crucially important. That is why governments should use courage of the highest order in handling money and why every Canadian should understand before he can support corrective changes in government policy.

This is how the "printed" money process operates when a government resorts to it because it can't raise sufficient money by taxes or by borrowing from the public to pay for its spending:

The Central Bank

The government issues a bond or note of specified amount to the Bank of Canada or a chartered bank and has the bank credit the government's account with the value of the bond. The government has thus created a credit or new deposits in the Bank of Canada or in the chartered bank.

The government can draw