

legitimate bounds. Even before The Finance Act, our system, as distinguished from the banking system of the United States before the Federal Reserve Act, provided a flexible currency—that is to say the bank note issues could be enlarged within reasonable limits to meet seasonal requirements; and when these were taken care of the issue would automatically contract, but with the added Finance Act, now a permanent part of our monetary system, nothing in the way of legitimate trade or expansion can ever be hampered by a lack of currency.

THE COMMONWEALTH BANK OF AUSTRALIA

Citation has been made of a central banking institution, the Commonwealth Bank of Australia, and emphasis has been laid on the direct advantage it is to the State in the profits it turns over to the Treasury.

The Commonwealth Bank of Australia was established about the year 1912, legislation therefor being passed in the year 1911.

It is scarcely possible to make a banking comparison between Australia and Canada, owing to the great difference in conditions. The Commonwealth Bank, while authorized to carry on a general banking business, it should be said at the outset, does this to a limited extent only. The last published available statement of the Commonwealth Bank dated 30th June, 1927, shows total assets of £139,000,000 and of this great total approximately £79,000,000 were in Government and other fixed securities. The total amount of real banking business among its assets was £19,500,000 in the form of bills receivable, bills discounted, loans and advances, and other sums due to the bank. From this it will be apparent that the Commonwealth Bank is not a commercial institution but has been used chiefly as a means for supplying loans to the Government of the Commonwealth and various other governmental agencies.

Reference has been made to the profit to the State which the Commonwealth Bank brings. For the year ended 30th June, 1927, the profits from the banking business, apart from the note issue profit, have been declared at £580,000, the bulk of which was made through the taking in of deposits at a low rate of interest and investing in securities at a higher. One half of these profits went to the Reserve Fund of the bank; and the other half was contributed to the national sinking fund.

During the like period the sum of £1,136,000 was derived from the Note Issue Department, the Note Issue Department and the general business of the bank being kept entirely separate. Of this sum £852,000, or something over \$4,000,000, went to the Commonwealth Treasury. These profits of the Note Issue Department were wholly derived from the annual dividends accruing from £25,000,000 of debentures and other securities which are held in that Department against the issues of the Commonwealth Bank's notes.

It will probably be a matter of surprise to many to know that Canada derived from its note issues and from the tax on circulation of bank note issues an advantage greater than \$4,000,000 during the past year. The Government of this country has in fact received \$63,500,000 for its note issues which sum has not been invested in securities as in Australia but has been used to meet current obligations of the Government from time to time. The Government in this way avoided the borrowing and payment of interest on this sum. Of this \$63,500,000, \$41,000,000 was received by the Government from the banks in exchange for its notes during the early part of the war period. The first of these free issues dates from Confederation as at the Union \$2,400,000 or there-

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