

Senator LEONARD: On the question whether or not there is a profit involved for the Bank of Canada, is there a profit as between—

Mr. BEATTIE: Yes, there is, because we do not have to pay any interest on this obligation, and we do have assets against it.

Senator LEONARD: And you have all the expenses.

Mr. BEATTIE: We have the earnings from the assets and the cost of it.

Senator LEONARD: Is the only control on the quantity the extent to which the chartered banks themselves ask you for the currency?

Mr. BEATTIE: That is right and that depends basically on what the public asks the banks for.

Senator LEONARD: Otherwise you do not keep a stock of currency on hand beyond the normal demand of the public for currency.

Mr. BEATTIE: We always have a very large stock on hand.

The CHAIRMAN: Would they have an inventory?

Mr. BEATTIE: We always have a large inventory on hand, because, well, notes are rather expensive things to move around.

Senator LEONARD: I want it clear that there is no incentive upon you to distribute them out to the public.

Mr. BEATTIE: Well, we could not distribute them to the public except to the extent that the public wanted to hold them.

Senator LEONARD: They would come right back.

Mr. BEATTIE: They would come right back, yes.

Senator LEONARD: In the form of bank deposits with you.

The CHAIRMAN: When the banks say they want so many notes from you, then as a result of that they may have to increase their cash deposits with you.

Mr. BEATTIE: Well, they have to use cash deposits to get the notes. If the notes are paid out they have to send something in the way of payment.

Senator LEONARD: There is no incentive to embark upon printing of currency for any particular good that it might do, apart from the need that the people want to have till money or pocket money.

Mr. BEATTIE: I think that is right. You cannot force currency on people, if they do not want it, and, if they do want it, it is hard to prevent them from getting it.

There seems to be no point in preventing them from getting it. So both the banks and ourselves are quite passive in this matter. There is one element of expenditure that I should mention as an offset to earnings on the assets that the central bank holds against the notes and that, of course, is the servicing of the note issue, such as positioning it in the various agencies across the country, trying to keep it clean and, finally bringing it back and destroying it. There are expenses of that sort attached to it.

Senator HAIG: Did you not lose some some new currency in Vancouver recently?

Mr. BEATTIE: Yes, we did, but with the exception of a very small amount we got it all back.

Senator LEONARD: There is no particular purpose in having some statutory control over the amount of bank currency that might be made available?

Mr. BEATTIE: I do not think so in respect of currency, because it is not the major form of money that people have.

Senator LEONARD: It is only part of it.

Senator COOK: You cannot give it to the Government or anybody else unless it is paid for.