

have been safeguarded by enactments of Parliament, and it is because of those enactments that the banks have so successfully weathered the various financial storms through which they have passed.

My honourable friend opposite said also that a Central Bank was of no use in Canada and apparently never would be of use. If he had said that a Central Bank might not be opportune at the present time, I probably would not have taken issue with him, at least until I knew more about the question. I want to keep an open mind for the time being. When the matter comes before a committee I shall want to hear the reasons why it is claimed we should have a Central Bank just now, and the reasons, if there are any, why it is contended that the establishment of a Central Bank should be postponed. But I am convinced that in the very near future Canada would be better off with a Central Bank. I can see many things that such an organization could and doubtless would do to improve the financial situation in this country. The only reason, it seems to me, that can be advanced for delaying the creation of a Central Bank is that in these times of stress the banks may not be able to estimate to what extent they would be affected by such an institution, and until they were able to form an opinion they might restrict credit.

I have read the Macmillan Report as carefully as I could, and I think it is a very excellent piece of work. While I do not agree with all that is said therein, I think that it contains much that will be of great benefit to Canada. I have made a number of extracts, in my own words, of what I think the report points out as among the things that a Central Bank could do for this country. In the first place it states that there is in Canada an absence of any single banking authority which, while linked by its activities with national finance and commerce, is nevertheless detached by its constitution and the nature of its administration from the ordinary pursuits of commercial banking. In other words, the Commission suggests that a Central Bank would be over and above the ordinary influences of persons and companies who wish to borrow money, or to do any other business with a bank, and it would be able to act with a view to the welfare of the general financial situation all over the country. Whether this would become true would, of course, depend largely upon the constitution and management of the Central Bank.

Then it is contended that a Central Bank would be able to regulate the volume of credit and currency. I will concede that this

could be done to a certain extent, but to a certain extent only. It could not regulate the whole volume of credit, because if it did so it would become the only bank in Canada. In other words, it would become an autocratic institution, which is something this country has no use for. But undoubtedly a Central Bank, in co-operation with the banks already established, could do a great deal in regulating credit. It would be the balance wheel and enable our whole banking machinery to operate more satisfactorily than it can at present.

The honourable gentleman opposite (Hon. Mr. Casgrain) stated that after the establishment of a Central Bank the other banks would not be permitted to issue notes. That is in accordance with the recommendations, and undoubtedly if a Central Bank is created the issue of paper currency will be turned over to it. I quite appreciate that this change would result in a considerable loss of revenue to our existing banks, and for that I am sorry. But, as I said before, these banks are business institutions, like any other corporations. Governments have appointed boards to exercise certain control over electrical development companies, telegraph and telephone companies, and so on, to prevent them from doing things detrimental to the public welfare and to ensure that too large a percentage of earnings is not diverted to dividends. In most instances the companies are not allowed to pay a larger dividend than eight per cent on the original value of their stock. Well, all these concerns are of just as much importance to the life of this country as the banks are, because if we have no industry we can have no banks. Why should banks not be regulated by an overlord—if I may use that expression—in the same way that other business corporations are? A further consideration is that a Central Bank would need some source of revenue, because we do not want to have to tax the people to pay for it. I am sure all honourable members will agree our people are taxed heavily enough now. It seems to me that one of the principal sources of revenue of the Central Bank would be found in the issue of paper currency, and I think this was in the mind of the commissioners.

Hon. Mr. LYNCH-STANTON: Should we not be indirectly taxing the banks if we deprived them of this source of revenue?

Hon. Mr. BLACK: One source of revenue would be taken from them, for the benefit of the people of Canada. I do not think there could be any objection to that.