

Q. Now, is that Finance Act necessary? Could that be eliminated? Would it be advantageous to the country to wipe it out?—A. No, I do not think so. I think it is here to stay.

Q. Why is it necessary?—A. As a safeguard.

Q. It can act as a rediscount to the banks?—A. Exactly.

Q. And it is advantageous in that way?—A. Absolutely.

Q. The Act does fill that need which the banks of the country may require; if we had a great expansion in the prosperity of the country—as my good friend Mr. Robb indicates we are about to have—

Hon. Mr. ROBB: Oh, we have.

*By Mr. Ladner:*

Q. Now, this is the end of my question, as I do not want to monopolize the attention of the Committee; I propose to file a very short memorandum giving the functions of a proposed Federal Reserve Bank of Canada. I will file it in order that subsequent witnesses may be questioned upon the lines of these principles. I will just read these clauses to the Committee, as they are very short.

#### EXHIBIT NO. 1

##### FUNCTIONS OF PROPOSED FEDERAL RESERVE BANK OF CANADA

The Federal Reserve Bank of Canada should exercise the following functions:—

- (a) To act as a bank of re-discount dealing only with banks;
- (b) To have the right of open market operations in much the same way as is now done by the Federal Reserve Bank of the United States and for the same purposes;
- (c) To act as a credit agent for banks in international banking in order to facilitate trade and commerce between Canada and other parts of the world, on much the same principle as the Bank of England;
- (d) To function as the Government now does with respect to all Dominion Note Issues reserving however, power of the Finance Department to check over and make certain of the proper securities being held for such issue. In addition to the Gold security to the Federal Reserve Notes, these notes also to be backed as they are now by the Dominion Government thus giving complete stability as far as note issue is concerned;
- (e) To act as the bankers of fiscal agents of the Government. In this way the Government has the power and united strength of all the banking institutions of the country in times of crisis and the banks have a far better opportunity as members of the Federal Reserve Bank in sharing in business of the Government. It does not seem fair that one bank should monopolize the business of the Government and to a large extent, as a private institution dominate the financial structure of Canada;
- (f) To have no greater net profits than sufficient to pay operating expenses and six per cent on the capital investment. If there are any other profits these are to go to the Government for the benefit of the people of Canada and also within reason to

[Mr. Albert E. Phipps.]