

If I might draw the committee's attention to the Macmillan committee report on that, you will find that it is a very illuminating section, and it will not take me a minute to read it. They propose controlling the trade of the country by reason of lowering the rate of interest, and by controlling and expanding credits. That was dealt with very fully by the Macmillan committee in 1931. You will find a discussion on pages 97 and 98, and a further more elaborate discussion on pages 121 to 123. It is their reference I should like to give you now:

There can be no doubt in our judgment, that "bank rate policy" is an absolute necessity for the sound management of a monetary system, and that it is a most delicate and beautiful instrument for the purpose.

I think it was John Maynard Keynes who put that touch of sarcasm in there.

If we had a more complete knowledge both scientific and statistical of what is going on in our economic system, it might be possible to act sooner with greater advantage, to correct aberrations before they have gone too far and thus keep business and enterprise on a more level keel. It would be better (if it is possible) to develop greater power of diagnosis, and not to depend so much on comparatively late-appearing symptoms.

The banker acts too late. That is how the thing works out, and that probably forced the committee on to write this section of the report:—

Bank rate policy is quite a proper instrument, not only for the correction of temporary disequilibrium in the international loan market, but also for regulating the pace of expansion and enterprise at home and for putting pressure on costs to accommodate themselves to changes in our relative situation or in the international price level. But it is only adequate by itself for such purposes within certain limits.

They acknowledge that the monetary system would not do the things that must be done on the departmental economic control. Now, here is what they say:—

When substantial changes in the level of our industrial costs are necessary to correspond to substantial changes in the value of money, changes in bank rate alone cannot hope to achieve all that is necessary. In such a case, however necessary it may be that bank rate policy should be employed to maintain the international value of our currency, some other supplementary means must be found to restore equilibrium. For consider how bank rate policy works out in such a case. Its efficacy depends in the first instance on reducing the profits of business men. When in the effort to minimize this result, output and employment are contracted, it depends on decreasing the amount of business profits and increasing unemployment up to whatever figure is necessary to cause business men either to decrease their costs by additional economies or to insist on, and their workers to accept, a reduction in wages. But public opinion does not easily acquiesce in such a process. And the reduction, if and when effective, will fall unequally, and unfairly on those sections of the community who are least protected by contract, least able to defend themselves, and often least able to afford the sacrifice.

And here is the situation to-day described by the committee:—

Moreover, those who are in charge of our monetary system will—naturally and exclusively—be reluctant to carry through so ruthless a policy to its proper conclusion, with the result that we may continue for a long period in a depressed condition with severe losses and severe unemployment and yet with not enough of both to compel by *force majeure* the necessary readjustment of incomes. Moreover once such a condition of depression has become firmly established a policy of dear money will

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