

control. As reported at page 829 of Hansard, the Minister of Finance quoted from the Macmillan report as follows:

A central bank is responsible for the control of the volume of credit and the maintenance of the stability of the value of the currency. This responsibility connotes that the bank should be granted the sole right of issuing currency (other than coin) for it would be intolerable that a central bank's policy should be hampered by the action of other issuing authorities in a country. The experience of other countries has shown conclusively that the right of issue is not indispensable in assuring adequate profits to commercial banks.

In that same debate—and at the moment I wish to emphasize this point—my right hon. leader (Mr. Mackenzie King), in his contribution to the discussion, laid down what has been the policy of hon. gentlemen on this side of the house and which he enunciated on February 27, 1933. I wish to place on Hansard the reference made on that occasion to central banking, so as to indicate to the house that the amendment which I propose to move on this occasion is paralleled by the statement made by the leader of the Liberal party at that time in the House of Commons. He said:

The Liberal party believes that credit is a public matter, not of interest to bankers only, but of direct concern to the average citizen. It stands for the immediate establishment—

And this was before the commission ever came here.

—of a properly constituted national central bank, to perform the functions of rediscount, and the control of currency issue, considered in terms of public need. A central bank is necessary to determine the supply of currency in relation to the domestic, social and industrial requirements of the Canadian people; and also to deal with the problems of international commerce and exchange.

My submission to the house this afternoon is that the legislation which we are now about to pass and send to another place for consideration does not carry out the fundamental principles of a central bank as outlined by my leader on February 27, 1933. I wish to follow very briefly the remarks made by the Minister of Finance when the measure was up for second reading on March 8 of the present year. He referred to the resolutions at Genoa in 1932 and at Brussels in 1920, in support of his own plea for private ownership. Let me quote the resolution which he read to the house, passed at the International Financial Conference held at Brussels in 1920:

Banks, and especially banks of issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance.

On January 22 the International Economic conference reported as follows:

Banks, and especially banks of issue, should be free from political pressure and should be conducted solely on lines of prudent finance. In countries where there is no central bank of issue one should be established.

And again:

The conference considers it essential in order to provide an international gold standard with the necessary mechanism for satisfactory working, that independent central banks, with the requisite powers and freedom to carry out an appropriate currency and credit policy, should be created in such developed countries as have not at present an adequate central banking institution.

Then the minister quoted from Kisch and Elkin and several other authorities in support of his contention. Let me give one or two quotations from his observations. As reported on page 1297 of Hansard of this year the Minister of Finance said:

Furthermore, a bank controlled by the government would inevitably be subject to sectional pressure and influence, a pull and haul from different parts of the country for certain special consideration and treatment.

Again he said:

Now, there is one other objection. I know that many hon. gentlemen will not agree with me, but I wish to say with all the seriousness at my command that it is my firm conviction that we cannot successfully operate a government central bank in Canada which is subject to patronage.

Later on in the same debate, during the evening he is reported on page 1299 in these words:

In its most extreme form this weakness or danger of public ownership is, in my judgment, illustrated by the case of a government which, unable or unwilling to finance itself by other methods, leans too heavily upon the central bank, forcing the latter to make excessive advances and usually bringing about financial disaster both for the bank and for the community.

Then he outlines the three fundamental objections to private ownership, the first being this:

If it is to have the sole right to issue and control legal tender paper currency it is felt that it would be inappropriate to give such right to an institution not owned by the state.

The second is this, as reported on page 1300:

The second objection is based on the undesirability of allowing excessive profits to accrue to private shareholders.

And the third is as follows:

The final and perhaps the greatest objection which can be lodged against private management is that the bank might be dominated by bankers and their interests or by other financial interests.