was dealing with the change which took out those words "payable to bearer on demand" and he said:

> All I see in the change is that in future it will have a right to issue notes, and previously it had the right to issue notes "payable on demand". What is the difference?
>
> Apparently this bill will give to the Government a greater power than it had before with regard to the issue of currency. As Senator Thorvaldson has so well said, there is a danger at least of the monetary policy being guided by the interests of the party in power, the government, rather than by the needs of the people.
>
> Are we by this bill getting closer to making monetary policy a matter of government exigency than it was previously? It has been bad enough, but does this make it worse?...
>
> ...One would not wish to confuse these two points, but in this instance, the issuance of government notes is a loan to the government without interest. Undoubtedly, the administration—and I do not care which party is in power—does not have to pay interest. They do not have to sell bonds, they simply print the money and pay their debts with it. Are we making the situation worse or better by these changes?

Mr. BEATTIE: There are two interesting questions there. On the first one, relating to the elimination of the phrase "payable to bearer on demand", I think this has no practical effect at all. The phrase "payable on demand" has reference to a provision in the original Bank of Canada Act which obliges the Bank of Canada to redeem its notes in gold on demand. But there was also a provision in the act which enabled the Government, by order-in-council, to suspend that requirement, and the requirement has been in suspension ever since. So the Bank of Canada has in effect never had to pay out gold on demand against the notes. That is what is referred to.

Senator THORVALDSON: Since 1934.

Mr. BEATTIE: Since 1934. Never at any time has the Bank of Canada had that obligation as an operational fact. It has been there in theory but it has been suspended each year. This provision washes out what now appears to be an anachronism. There are very few countries in the world which are able to have a currency that is redeemable in gold on demand.

The second question relates to the matter raised earlier regarding the issuance of notes. In my mind, this is a kind of mechanical response on the part of the central bank to the desires of the public to have Bank of Canada notes rather than a deposit in a bank. We have to accommodate ourselves to that. The total holdings by the public of currency is only a bit more than one-tenth of its overall holdings of money. The variations in it are in some respects quite fortuitous. They depend on a hold-up in the mails or a strike or bad weather or any kind of fortuitous thing which can increase or diminish the demand for hand to hand currency in some part of the country at some time.

The CHAIRMAN: Is there a standard as a result of which you would at some time put more notes in and at another time take more notes out of circulation?

Mr. BEATTIE: No, we are completely passive in this respect, Senator Hayden. The notes are there for the chartered banks to get from us and to pay out to their customers, if their customers want to hold notes rather than a deposit with a chartered bank.

Senator LEONARD: In the first place, it is not the Government which issues the notes at all; it is the Bank of Canada.

Mr. BEATTIE: That is right.