

Bank of Canada—Mr. Coote

Canada should have the power to instruct the Bank of Canada, using practically the same words used by Mr. McKenna.

Money policy is essentially a government problem to-day and the government should be free to determine such policy and to see that it is carried out. If governments are to be held responsible for economic conditions—and we know that they are held responsible; the people will turn out any government that allows these unsatisfactory economic conditions to continue—then surely the government or a government institution should have control of credit, which really determines economic conditions.

The Prime Minister, speaking on this question of a central bank, with reference to the ownership of the various central banks in the world, said in effect that there were thirty-six central banks in the world, six of which were owned by the nations in which they functioned, while the others were not. I am glad, Mr. Speaker, that at least six of them are nationally owned, but that does not

tell the whole story; and while I cannot place on record a complete statement showing the ownership and control of these banks, I have here a statement which will at least illustrate the situation. There are two central banks in which members of the government are directors. These might be called state banks, and they exist in Russia and in Finland. There are central banks where the state, on paper, has no control—the Bank of England, the Bank of Denmark and the Bank of Germany. But in these three cases there is a long tradition against private banking control. However, these banks may be called privately owned banks. In all other central banks there is state control of a sort, which is exercised through some appointments being made by the government. The government appoints the governor or directing head and generally some directors, even a majority. This statement I have here shows, in the various countries, those appointed by the government and those elected by the shareholders:

Central Banks—Directors		
Appointed by Government	Elected by Shareholders	
Australia.. . . .	All.	None.
Austria.. . . .	Chairman.	Others.
Belgium.. . . .	Governor and deputy.	Others.
Bulgaria.. . . .	Governor and deputy.	Others.
Chile.. . . .	Part.	Part.
Colombia.. . . .	Part.	Part.
Czechoslovakia.. . . .	Governor.	Part.
Denmark.. . . .	None.	All.
England.. . . .	None.	All.
Finland.. . . .	All.	None.
France.. . . .	Governing body.	General Assembly.
Germany.. . . .	None.	All.
Japan.. . . .	All but part nominated by shareholder.	
Netherlands.. . . .	President and secretary.	Others.
Poland.. . . .	President and vice-president.	Others.
Portugal.. . . .	Governor and two vice-governors.	Others.
Russia.. . . .	A true government bank.	None.
South Africa.. . . .	5 (including governor and deputy governor).	Others.
Spain.. . . .	Governor and two assistant governors.	Others.
Sweden.. . . .	All.	None.
U.S.A.. . . .	All members Federal Reserve Board.	None.
Yugoslavia.. . . .	Governor and two deputy governors.	Others.

A final point: It must be remembered that in most cases where the governor, chairman, president or whatever he may be called is appointed by the government, he is given very considerable power, much more than that of an ordinary chairman.

In passing, I think it is worth while pointing out that in the two countries which have made most headway in the last three years, Sweden and Australia, the central banks are publicly owned. Sweden has achieved a stable price level, while Australia has come very close to it. The improvement in the price level in Australia compares rather

[Mr. Coote.]

remarkably with the situation in Canada. In a recent article Professor Copeland of Melbourne, Australia, shows that their export trade expanded by more than 25 per cent in 1931-32 and 30 per cent in 1932-33, as compared with the three pre-crisis years. He states further that the banking policy of Australia was sound in the crisis mainly because it was less orthodox than that which so-called sound financiers would readily pursue. He says that it is a mistake to concentrate on the external situation and that Australia made her main mistake in not depreciating sooner.