

at my own expense, I do not want to hurry back to Vancouver without submitting to every examination that they wish to put me through either by themselves or through any counsel they care to bring.

The CHAIRMAN: Now gentlemen, have you any question?

Mr. LAWSON: What I should like to ask is hardly a question. The witness has referred several times to a four point plan. It may be that my simple mind is not sufficiently alert to pick up those four points. So far, I have only got one, namely, that we should have a national banking system.

The WITNESS: Do you want me to give you the four points?

Mr. LAWSON: I should like the witness to give me, in a few words, points 1, 2, 3, and 4.

The WITNESS: The four point plan consists of, the national bank for the administration of public credit, the taxation for the purpose of controlling circulation and avoiding inflation; economic control for the purpose of avoiding disruption of non-monetary factors, and a department of international trade for the management and regulation of international trade and credit.

Mr. GEARY: These two departments, taxation and economic control are government departments?

The WITNESS: Absolutely, that is the theory. And they would, Mr. Geary, as I see the plan, function very closely with your national banking directorates and other governmental departments. They must all mesh in together.

Hon. Mr. MACKENZIE: You said in your evidence in chief that you were going to separate the ordinary functions of the mercantile bank from the control over the national credit, but you are going to allow the banks to carry on as they are at present without the control of credit. The difficulty that I have in dealing with your scheme is this. If you have the ordinary mercantile bank and deposits are allowed there, is there an automatic working of the credit system with the private bank system, and how do you control that? In other words, where is the line of demarcation between the national credit control and the private banks?

The WITNESS: I provide in the act I have submitted, a section which takes over the assets of banks, guarantees the deposits, and provides that the merchant bank shall function on the basis of loaning only or investing only the total amount of their deposits and their capital invested. Now, if you have no further control than that, the bank can pyramid loans. For instance, I could put a thousand dollars in the bank, and it is loaned to someone else. That person deposits the loan and it is loaned to someone else, and then up goes the pyramid again. The only way you can stop inflating on that basis, is to give the national bank power to compel the banker to re-deposit with the national bank whatever amount the national bank director sees fit to keep the system in line.

Hon. Mr. MACKENZIE: Do you also suggest control by limiting time extensions of credits?

The WITNESS: Well, those time extensions of credits are not a serious matter in a merchant bank. The cream of your merchant banking trade is 30, 60 and 90 day credits and your bank in a system that functioning normally has a fair turnover, and does not have the difficulties that we are having in times like the present. All our banks to-day are carrying an enormous load of credit. That is a matter that a private banking system should not be called upon to carry at all. That is one of the conditions of the time. If business were going along normally, you would increase the total volume of the merchant banking business five or ten times; but these are not normal times. Under this system, I think your bankers could make more money on that greater volume of business than they are making to-day, although they have the doubtful privilege of issuing credit and withdrawing it.