

and chief functions of the Federal Reserve Bank or of the Bank of England?—  
A. It can control credit to that extent, but that is not applicable to what Mr. Woodsworth is talking about at all.

Q. If Mr. Woodsworth will pardon my interruption, because this is really the centre and chief reason why I am interested in the Federal Reserve Bank system; I think there is a responsibility on the part of the Government to the public, to control conditions where they can do it on sound grounds. Take the Federal Reserve Bank system in the United States as it exists now: Supposing there is a boom starting in; now, the Federal Reserve Board is controlled by the Government of the United States, and to that extent the government assumes a certain responsibility to the country. If in sound economics, they see a boom coming, and think that credit should be curbed, the Board can curb it, can they not?—A. Oh, yes.

Q. Is not that in the public interest?—A. It might be, yes.

Q. Would it not be in the interest of the business man?—A. It might be.

Q. Or of the banks themselves?—A. It might be.

Q. Can the banks of this country control such a situation?—A. They can and do, I think, effectively.

Q. But you just told Mr. Woodsworth that they did not?—A. But you are taking a post-war condition, and that is not fair.

Q. It would not matter what the conditions were, whether they had the special impetus or a war demand, and excitement, or whether it was just a normal boom, such as we have in mining at the present time?—A. Neither the Federal Bank nor the Bank of England avoided those conditions in the United States or England at that time. They were controlled here to a large extent, and if they were not controlled, they would have gone further.

Q. But there is no such agency here as in the United States, and in England to control the over-extension of credit, we will say?—A. Yes, there is.

Q. What is it?—A. The Finance Act.

Q. No, that only operates when you come to them for money?—A. The Federal Reserve Bank only controls in that way.

Mr. IRVINE: No, the Federal Reserve Bank operates to limit credit.

*By Mr. Ladner:*

Q. So far as the general public is concerned, and let us say to assist our Canadian banks to control a boom condition, there is something absent in this country which does exist in the Federal Reserve Bank. Would you not agree with me in that?—A. No, I do not agree with you in that. We first have the banks themselves, who can control the rate of credit. Then we have the Finance Act which can control the banks.

Q. But you just told Mr. Woodsworth that the banks themselves did not and could not control such a situation; that the controlling factor rested in the business man himself who was in turn impelled by the idea that the people wanted the goods. Was not that the reason you gave?—A. They could have controlled the amount of credit, Mr. Ladner, but they did not.

Q. Who did not?—A. The banks did not.

Q. Why did they not?—A. There are two uses of the words "could not". One is that they could not properly control the amount of credit; and the other one, that it is impossible for them to do it. It is quite possible for them to do it.

Q. Do the Canadian banks act in unanimity?—A. No.

Q. So as to enable them to control such a situation?—A. No.

Q. How could they do it if they are competitive without collaboration, so as to control?—A. They could do it, one at a time.

[Mr. Albert E. Phipps.]