

directors to be appointed by the president with Senate approval. These directors would be representative of agriculture, industry and business generally and would be headed by a governor and deputy governor in the manner of a central bank. The authority would then be free from any control except that of the government. All profits from its operation, after deductions, for reserve, would go to the treasury. In short, it will be equivalent to a state appointed and a state owned central bank directed to control credit and currency on what has been loosely described as a "commodity dollar" basis. I think we should profit from the experience of the United States and establish this central bank under state ownership and control. The federal reserve banks of that country are bankers' banks; the stock is owned by the banks and the system has not been found to be satisfactory. They are now proposing to set up a nationally owned central bank. Personally, I do not want to see Canada in the position of having to go hat in hand to a privately owned central bank, as an individual now has to do, to obtain money to carry on the services which the people should have.

Speaking of the United States naturally brings to mind the national recovery plans that are under way in that country, and there is a growing need and growing demand for some national recovery plans to solve some of the problems that are facing Canada—the farm problem, the unemployment problem, the debt and interest problem, the railway problem. In the solving of any of these problems the matter of money and money policy stands out prominently like a sore thumb. We shall find it impossible to deal effectively with any of these problems without the application of an entirely new money policy.

For the last few years money has been our master. Whether or not we could institute new policies has always been determined by money policy. I submit that money should be made to serve the needs of the people. This bank will control credit, and if governments are to be held responsible for economic conditions, surely they must have something to say about the control of credit. The chief duty of the bank will be to control the amount of credit outstanding at any time. The policy governing the operations of the bank would unquestionably be a matter of concern to the government, for the control of credit is the central problem of economic recovery. The wise use of national credit is

the most important factor in establishing prosperity and happiness among the people. We have no reason to believe that the national credit will be used to the fullest extent possible if handed over to a privately-owned central bank, and for this and other good reasons I say that the bank should be owned by the nation. For every nation to-day, currency policy is or should be an administrative or government problem. For that reason the closest form of cooperation between the Finance department and the central bank is absolutely essential.

May I quote a few sentences from the February issue of *Lloyds Bank Monthly* of London. I read the following:

At the present time currency policy is virtually an administrative problem rather than a policy determined for the nation by the gold standard, and for that reason the closest form of cooperation between the treasury and the bank is rendered essential. . . . The currency policy that is desirable in the future must be determined by the primary needs of the nation.

That being so, who should determine the policy, the government or a privately-owned bank?

The first need is to do all that is possible to facilitate and accelerate a recovery from the present trade depression and to employ to the fullest extent our resources of labour and capital. The second is to promote a rise in prices to approximately that level which prevailed before the advent of the depression. . . . The third need is to establish and maintain a monetary system which will prevent the recurrence of the disastrous events of the last four years.

And let us not forget that the disastrous occurrences of the last four years have come while we have been under the direction of privately-owned monetary institutions.

I would also quote the following words from the Right Hon. Mr. McKenna in his recent speech at the annual meeting of the Midland Bank. He said:

The Bank of England on its own responsibility acts from day to day as it thinks proper. But such freedom in a matter vitally affecting the whole community should obviously be subject to limitations set by higher authority. . . . Even while operating on the gold standard the Bank of England had a considerable field for the exercise of independent judgment, but with the removal of the statutory obligation its powers over the quantity of money were so wide, whether in the direction of increase or decrease, as to be for practical purposes unrestricted. It therefore became urgent that the Bank of England should be given some definite guidance as to its future policy, and obviously the government alone could have the necessary power and authority to instruct the bank.

But if that is necessary in England it is necessary in Canada also; the government of