

his view upon this question is at least not in accord with their own, and as they quote him with approval on so many occasions I do not see how they can disown him upon this.

At Genoa in 1932 the international economic conference resolved as follows:

Banks, and especially banks of issue, should be free from political pressure and should be conducted solely on lines of prudent finance. In countries where there is no central bank of issue one should be established.

At the world monetary and economic conference, which was held last year and was participated in by representatives of some sixty-four countries, the following resolution, which again emphasizes the necessity of independent central banks, was passed:

The conference considers it essential in order to provide an international gold standard with the necessary mechanism for satisfactory working, that independent central banks, with the requisite powers and freedom to carry out an appropriate currency and credit policy, should be created in such developed countries as have not at present an adequate central banking institution.

The hon. member for Macleod and his associates have quoted very frequently certain conclusions of the Macmillan Committee on Finance and Industry which was set up in the United Kingdom. No doubt the house is well aware that among the members of this committee were the Right Honourable Reginald McKenna, Professor J. M. Keynes, and Professor T. E. Gregory. These gentlemen are frequently cited as authorities by hon. gentlemen opposite. Paragraph 33 of the report of this committee, which appears on page 17, reads:

In the sphere of central bank legislation two tendencies may be observed. The first concerns the degree of elaboration of the constitutional code by which the bank is to be governed. There are what may be called the British and continental traditions in these matters: The first leaving the bank much more free to develop its constitution in accordance with changing circumstances, and limiting the degree of state interference to a minimum; the second regulating machinery in detail, emphasizing the subordination of the bank to the organs of the state, and admitting some, in certain cases much, state participation in the affairs of the bank itself. Such detailed regulation is explicable in many cases on the ground that the bank has been set up in an environment generally favourable to state paternalism or under circumstances, such as a disorganization of the currency, which made detailed regulation appear advisable. Nevertheless, rational consideration of the problem will show that a central bank which is able to adjust itself to new necessities and exigencies without requiring an amendment of its constitution or powers on every occasion when innovation is considered desirable possesses the inherent

[Mr. Rhodes.]

advantages which an elastic structure has over a rigid one.

While it is true that the recommendations of the Canadian Macmillan commission with respect to the ownership of the capital stock were not unanimous, I think some respect must be paid to the recommendations of the two distinguished British members, not only because of their attainments and great ability but because of their wide experience and knowledge and the study they have given to this matter. I think I should quote paragraph 219 which will be found on page 65 of the report. It reads:

The functions discharged by a central bank being of such vital importance to the economic and financial life of a country, it is perhaps natural to ask whether they could not be adequately performed by some direct organ of government. It has in practice been found that a central bank can give most effective service to the community if it is free from the fear of interference for political ends in operating the delicate mechanism of the national monetary and financial machine. Certain statutory limitations have almost invariably been adopted in order to emphasize the national character of the bank. Thus, apart from the detailed provisions of the legislative act constituting a central bank, we may refer to the customary provision that the profits of the note issue should accrue, either directly or indirectly, to the state; that in most modern instances a limit is set to the profits which may be distributed to the shareholders; and lastly, that the state should have a final voice in the appointment of the governor and deputy governor and sometimes of certain of the directors. Within this legislative framework it has been found that there are preeminent advantages to the state in entrusting the special and highly technical functions of a central bank to a body not subject to the vicissitudes of political life.

If there may be said to be a leading authority upon central banks, I think that is to be found in the book entitled *Central Banks* by Sir Cecil H. Kisch and Mr. W. A. Elkin. It would well repay hon. members to read this book with some care. I should like to quote one or two short passages therefrom, as follows:

Monetary policy should be independent of political contingencies and the surest way to secure this result is to place the control of the note issue in the hands of a bank.

And again:

Central banks have more and more come to be looked upon as analogous to large public trusts and less and less as departments of state.

I should like to quote from another authority which should be of particular appeal to hon. gentlemen immediately opposite. During the sessions of the Liberal summer school at Port Hope last year, the only monetary expert