

with privately owned banks in Australia, and it has only recently evolved as a central bank. It may be—it is not for me to say—that the Australian people have the genius to operate a publicly owned bank and escape the dangers inherent in that system, many of which I shall point out as I proceed; but certainly they have not operated it as a central bank for a sufficient length of time to enable us to make any deductions of the kind—admitting, if you will, for the sake of discussion, that they have succeeded up to the moment.

The other countries in which central banks are publicly owned are Sweden, Latvia, Finland, Bulgaria and Russia. Of the remaining thirty countries seventeen have central banks which are wholly privately owned, and this list includes such leading countries as England, France, Italy, Belgium, Holland, Germany and Switzerland. In addition, in the United States the federal reserve system is owned by the private member banks. In the Union of South Africa the reserve bank is owned jointly by the banks and by private shareholders. In Chile, Colombia and Peru the central bank represents a combination of public and private ownership. In Czechoslovakia, Greece, Japan, Yugoslavia, Lithuania, Roumania, Poland and Esthonia, the state owns only a limited portion of the shares of the central bank, but even in some of these cases there is provision for the state gradually disposing of its shares. While the tendency during the nineteenth century, particularly as regards actual statutory provisions, was somewhat to stress the control of the state over the central bank, the trend of recent years has set very strongly against granting the state power to interfere with the functions of a central bank. This reaction from the earlier tendency is due to the experience of many countries during the war period, which exhibited in extreme degree the danger of direct state ownership and control. In the League of Nations reconstruction schemes for Austria and Hungary, the independence of the central bank was stressed as a cardinal feature, as it was also in the new statutes devised during the post-war period, for instance, in Esthonia and Greece by the Financial Committee of the League of Nations. In other countries where central banks had existed before the war the tendency has been to divorce the institution from active political control. Thus when the Reichsbank was reorganized in 1924 the necessity for independence was stressed to such a point that the new German Bank Act was made to begin with the following sentence:

The Reichsbank is a bank independent of government control.

Mr. WOODSWORTH: Does the hon. gentleman say that that is true of the Reichsbank to-day?

Mr. RHODES: I say that the statement I have just made is true.

Mr. WOODSWORTH: Does he say that the statement holds true to-day?

Mr. RHODES: My hon. friend may have his own opinion as to how well they have lived up to their objective in that regard.

In Czechoslovakia a partly independent national bank whose stock is owned only in part by the state has replaced the banking department of the ministry of finance. The National Bank of Bulgaria affords another illustration of a state owned bank which is gradually undergoing evolution in the direction of emancipation from government control. In the new Bank Act for that country for the year 1924 the bank was given a greater degree of independence by the Ministry of Finance than it had previously enjoyed. I mention these facts as evidences of the trend away from complete government operation of central banks. A further amendment was made in 1926 to the Bank Act of Bulgaria introducing for the first time an independently elected element into the administrative council. Finally, in 1928 the Bulgarian government entered into an agreement with the League of Nations undertaking to "safeguard the independence of the Bulgarian national bank from any political influence whatsoever."

The Esthonian Bank Act also provides for gradual disposal to the public of the shares held originally by the state.

I think it would be well, Mr. Speaker, if we took cognizance of the attitude of those who ought to be able to speak with at least some considerable degree of authority on this subject. At the International Financial Conference held at Brussels in 1920 the following resolution was passed:

Banks, and especially banks of issue, should be freed from political pressure and should be conducted solely on the lines of prudent finance.

The economic experts responsible for the report of the committee on currency and exchange at that time included A. C. Pigou, of England; Charles Gide, of France; Professor M. Pantaleoni, of Italy; G. Bruins, of the Netherlands—I shall not vouch for my pronunciation but the spelling will appear correctly in Hansard—also the eminent Swedish professor, Gustav Cassel, whom, if I mistake not, I have heard quoted very frequently, with a rolling of the tongue as if it were a sweet morsel, by hon. gentlemen opposite and hon. gentlemen to the extreme right. So