

observations of that character when speaking to this house. Further, when the bank has been established, and when the security has been put up to care for the note issue, and when it has taken over the gold from the Department of Finance, and when it has taken over the gold from the banks, why was it not indicated by hon. members that the purpose is not to enable the bank to do what it pleases? The bank has at once assumed, under this statute, the responsibility for the maintenance of a 25 per cent gold coverage for all note issues made by the bank, and not only for that which is covered but as well for that which is uncovered. That reserve must be kept in gold and silver; at least 25 per cent must be kept in gold. The effect of this legislation is to transfer to the central bank the custody of the gold which formerly was in the Department of Finance under the control of the minister and in the banks under their private control. Why is this done? In order that they may be able, when the gold standard is once more effective in this country to make transfers by bullion exchange, when there will no longer be free coinage of gold in this or any other country in the world. There will be that exchange of bullion gold for external purposes, and to the extent of not less than 14,000 units, to enable the controlling of foreign trade to be carried on. Is it better that that should be subject to political patronage, or under a control that is free from it?

When it was said by Sir Thomas White that there was no political patronage in connection with the Finance Act, I ask how could there be? How could there be? Every man who knows anything with respect to it knows that in the beginning of the year a resolution was passed which enabled the banks of this country to receive from the Department of Finance legal tender or dominion notes up to a certain margin of credit based upon the deposit of securities. In most instances the securities were the bonds of the Dominion of Canada, and in some instances those of the provinces. They were in known percentages of the advances made. That is why. How could there be any political interference there? One need only look at the bank returns issued from month to month, and particularly at the end of the months, to see the extent to which legal tenders were held under the Finance Act, and to realize that these were secured for window dressing purposes, and nothing else.

Then, having the construction of the bank, carrying on its business as I have indicated, to issue notes and to maintain external trade

and external balances to meet our obligations, the question is: To what extent is the action of the directors controlled by the governor of the bank? After all the governor of the bank is the principal official of the institution. He is the one who, under the statute, is primarily responsible for its administration. The act provides, as has been pointed out, that no resolution or no bylaw passed by the directors or by the executive shall have force or effect until it has been approved or concurred in by the governor or, in his absence, by the deputy governor. So we have removed the bank from purely directorial control, and we have placed it in the hands of the person who, by common consent with respect to central banks must always occupy the primary position and must be responsible for concurring in or agreeing with the action taken by the directors or the executive committee.

And more than that, the other day it was said that the government should be represented on the board. When the bill was introduced the minister indicated that amendments either in committee or during the progress of the bill through the house would be carefully considered, from whatever source they may be suggested, and that if they met with the approval of the government they would be incorporated in the bill. In other words, there was no pride of authorship to stand in the way of accepting suggestions which might be made which, in the opinion of the government, would improve the measure. At one time the government was of the opinion that it might meet the situation by having the Minister of Finance a member of the board of directors, without a vote. But on analysis it was realized that that would introduce a factor which might not be in the best interests of the country as a whole, whereupon the government accepted the amendment by the hon. member for Shelburne-Yarmouth (Mr. Ralston), whereby the deputy minister becomes a member of the board, without a vote. So that there will be continuous communication between the government on the one hand and the bank on the other. Public business will be conducted as it should be by the bank, as the fiscal agent of the dominion, in a manner that is satisfactory to the Department of Finance and to the government. On the other hand the government will be fully advised of the steps taken from time to time to deal with problems affecting the various industries of this country through credit control. In every particular there shall be that measure of cooperation between the bank and the government which will ensure its success. Again the governor is given further power.