

of the borrower or the reverse. The banker is primarily and mainly concerned about the safety of his advances and the certainty that the advances will be returned within a reasonable time with adequate interest. He is not thinking about the volume of credit in the country nor the effect which the granting or withholding of credit in the particular instance will have upon the price level of commodities in the country. The banker, too, when he judges that speculation in any of its varying forms is getting beyond the safety line, limits credit in that direction, not because he wishes to discriminate against any class but because he believes the bank's advances are imperilled.

It is proposed that the State should through some such agency as a central bank control credit, and thus frustrate the designs of evil-minded capitalists with banking control in their hands against weaker industries or commercial interests. I am convinced that there is a great fallacy in the assumption that there ever has been in Canada any improper control of banking credit for such purposes. Intimacy for a good many years with banking operations in this country has never brought to my attention the slightest suspicion that any capitalists or group of capitalists have in fact prevented or attempted to prevent legitimate enterprise from receiving a fair measure of banking credit. If such were the fact anywhere in Canadian banking operations every general manager in the country would be aware of it.

Why suggest legislation, therefore, for supposed evils which are really non-existent?

With regard to the control of banking credit and incidentally prices of commodities, a very eminent banker and statesman in the United States, Mr. Secretary Mellon, recently said:—

Neither the Federal Reserve System nor any other system can control prices; while credit is one factor in influencing prices, it is neither the only factor nor the controlling one.

Governor Harding, for a number of years head of the Federal Reserve System in the United States, recently said in regard to a proposal that Congress should direct the Federal Reserve authorities to shape their policy so as to maintain the price level of commodities:—

Do not understand me as being out of sympathy with the objects of the Bill which Representative Strong has introduced in the House. I have merely attempted to give some of my reasons for believing that the object desired cannot be accomplished by the means proposed.

For these reasons I repeat that the Canadian banking system is meeting the banking needs of the country adequately and well.

That, gentlemen, is the statement I have prepared.

*By Hon. Mr. Stevens:*

Q. Mr. Phipps, before you are questioned by members of the Committee who have prepared a series of questions, may I ask what interest is being paid to the Government on advances under the Finance Act?—A. It has varied from five to three and three-quarters per cent; at present it is three and three-quarters.

*By Mr. Ladner:*

Q. Mr. Phipps, there are one or two questions I wish to ask you. Some of us are interested in the possibility of the establishment of something in the nature

[Mr. Albert E. Phipps.]