

Mr. COOTE: In most cases is the security which the banks give to the government not the government's own bonds?

Mr. BENNETT: If the hon. member for Macleod was following me, I said the bonds of the country or of the provinces, sometimes municipal bonds and sometimes commercial paper. There is a regulation which, of course, is embodied in an order in council, whereby fixed values for the purposes of advances are established upon these securities. For instance, securities of the dominion are fixed at, let us say, ninety-five; those of the provinces, say at ninety-two; other securities at ninety, and so on. These are the determining values upon which the appropriate advances are made by the central bank or by the nation in this case under the Finance Act. My colleague, the Minister of Finance, directs my attention to section 5 of part II of the Finance Act which provides:

At any time when there is no proclamation in force under the authority of paragraph (a) of section 4 of this act, the minister may make advances to the chartered banks and to the savings banks to which the Quebec Savings Banks Act applies by the issue of dominion notes upon the pledge of the securities hereinafter mentioned:—

(a) treasury bills, bonds, debentures or stocks of the Dominion of Canada, Great Britain, any province of Canada, and of any British possession;

(b) public securities of the government of the United States?

(c) Canadian municipal securities;

(d) promissory notes and bills of exchange secured by documentary title to wheat, oats, rye, barley, corn, buckwheat, flax or other commodity;

(e) promissory notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes and which have been used or are to be used for such purposes.

Mr. WOODSWORTH: Is there any limit to the amount that may be so issued?

Mr. BENNETT: Section 6 reads:

Such securities shall be deposited with the minister or with an assistant receiver general; and the minister may request the trustees of the central gold reserves to make a valuation of and recommendation as to the amount which in the judgment of the trustees may properly be advanced on any securities offered in pledge under this part.

That I think is the answer.

Mr. WOODSWORTH: No limit?

Mr. POULIOT: Not exceeding 15 per cent.

Mr. BENNETT: That is not the matter with which the hon. member is dealing. The test, of course, is the value of the securities deposited and there is provision that the valuation may be made by an independent source.

Mr. WOODSWORTH: Would the Prime Minister say who the trustees are?

Mr. BENNETT: I am not at the moment in a position to say who they are, but I think one of them is the Deputy Minister of Finance, and if my memory serves me aright, there are three or four of them. I do not carry their names in my head, but I shall ascertain so that the hon. member may have his question answered. I am not now as familiar with their names as I was a couple of years ago, but the Deputy Minister of Finance is one and I am not sure, but my memory is that there is some officer connected with the banks and other officers whose judgment is supposed to be independent with respect to valuations. The valuation is established by order in council issued in the first instance on a recommendation from the treasury board. The real contest in this country between individuals as to whether or not we should have a central bank is predicated entirely upon whether the machinery that is now provided by which the nation itself becomes a central issuing authority, is equal to every demand that may be made upon it, or as might be provided by a central bank, such as that set up, for instance, by the United States under their Federal Reserve Act. In that act you have the various twelve divisions in which there are central reserve banks and those banks have power to issue national reserve bills which all of us have seen, instead of those we issue, namely the promise of the nation itself to pay. Under our central bank authority the Dominion of Canada issues its bills to the banks that deposit with it their securities pledged for the support of the advances thus made. Under the other authority you have your securities pledged or lodged with the central reserve bank in Cleveland or New York or Chicago or Minneapolis, and against that the governing authority issues the bills of the central reserve bank. Up to that point the distinction, and difference, if I might say so, are merely this: that in the one instance the question is whether a purely political body, namely, the government of the country, which is purely a political body, should have a control of the central bank or whether such a bank should be divorced entirely from what one might call political control and be placed in the hands of what, after all, are officers named and appointed by the government itself, for the governor of the central reserve bank is in the last analysis a political appointee; he is appointed by the president and his appointment confirmed by the Senate. Therefore, in a broad and general sense he is selected by the dominant political party.