

*Bank of Canada—Mr. Rhodes*

In view of these provisions I believe it may be fairly said that ample safeguards have been erected against the dangers which some people fear may arise or exist in a bank owned by private shareholders. At the same time, we have avoided the evils which both logic and experience have revealed as appertaining to direct government ownership. In other words, we are setting up in Canada, to perform a most vital function, a new kind of organization, a quasi-public institution, which can best be defined as a public trust. It is the considered view of the government, I may add, that only by such form of institution can the Bank of Canada have its most likely chance of assured success.

In introducing this measure a question was submitted to me as to what would happen if there should arise a conflict of view between the management of the bank, on the one hand, and the government of the day on the other. I replied at that time:

Unquestionably the authority of the governor and the board of directors of the bank would prevail.

In answer to a further question implying that this would mean the negation of responsible government in Canada, I replied:

Well, Mr. Chairman, the authority and power of parliament is always supreme, and it is none the less supreme because of the fact that parliament, in its wisdom, may delegate a portion of its authority in this instance, as it has done in numerous other instances.

I believe that my answers were absolutely in accordance with the position. I do not think it is necessary for me to reaffirm the fact that parliament is always supreme, and if through an institution of this kind an abuse should arise it would always be open to parliament to correct it. Upon this point I should like to quote from the evidence given by Professor Gregory before the Royal Commission on Banking and Currency:

The Chairman: Indeed, in emergency situations the government has to take drastic measures which may, I suppose, override the policy of the central bank.

Mr. Gregory: I think that the history of European central banks in the last few years has rather tended to show that in moments of emergency the central bank is almost bound to be subordinated to wider considerations of national safety, national honour and other considerations of that kind.

The Chairman: In its relation to the executive government of the country where it functions it must always occupy a subordinate position?

Mr. Gregory: Subordinate but not necessarily dependent.

The Chairman: I think the words are well chosen. Subordinate in that the ultimate executive responsibility for the country's policy lies with the government of the day, but the

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view you have stressed is that there ought to be an independent adviser, accessible to the government at all times, with a special fund of knowledge and able to give special authoritative advice.

Mr. Gregory: Yes. I should like to formulate it in this way, that in the end, since the government of the day possesses sovereign legislative power, it must necessarily have the last word in disputes, if they unfortunately arise, between itself and any other agency whatever in the state.

The Chairman: I agree.

Mr. Gregory: But I would also urge that the fruitful functioning of a central bank depends upon the government or governments insisting upon objectives which are within the scope of the instrumentality which it has created. Furthermore nothing to my mind could be more fatal to the prestige of a central bank than constant interference with the details of its administration, or with its day to day operation of any policy whatever. I do not think any man with self respect is going to act as the office boy of the administration if he is going to carry out his work properly.

I have occupied more of the time of the house, Mr. Speaker, than I had expected to take, and I regret very much that I have had to use so many quotations, but I felt that the importance of the measure warranted my doing so. I have only this last word to say, that the bill of necessity had to be introduced as a government measure. But that being so I hope that it will not in any sense develop into what might be termed a party or political measure. I do not for one moment assert that the bill is a perfect bill, but representing as it does long study and careful preparation I believe that it is a well balanced measure. We may improve it as we proceed in committee, but this one thing is sure, that it would be most unfortunate if an agency such as a central bank, which is fraught with such great possibilities of service to the people of this country, should be handicapped in its initial steps by having attached to it anything in the nature of party difference or acrimony. I do not say that by way of lecturing. I say it in all seriousness and without any desire to impute the slightest suggestion that there may be any party viewpoint attached to its launching. If we launch this bill along the lines we have indicated and it develops in the light of experience as we proceed that the measure can be improved, it will be open at all times to parliament to strengthen its provisions. We shall grow and gain with experience. I trust, therefore, that the bill will be considered on its merits and that it may be expedited in its passage to the committee on banking and commerce.

Mr. MACKENZIE KING: On the point of order which has been raised by the minister, I should like to ask a question, if I