

reserves. Under the old system the banks had to turn to the New York call loan market to find facilities for holding a reserve of this type. Such facilities are now provided at home.

✓ We operate a foreign exchange department which handles the dominion government's exchange business—a large business as you may imagine—and which is able to keep us in close contact with developments in exchange markets.

✓ Our research department is constituted to supply us with the best available information on matters related to government finance, private finance, domestic and external trade, and many other things which I need not recite here.

✓ The fact that there is a central bank in Canada makes it possible to achieve co-operation with the central banks in other countries. There is much which can be done in the way of interchange of information. Business conditions in a country's main markets have an important bearing on domestic trade. A central bank which contented itself with a knowledge of home affairs and turned a blind eye to developments elsewhere, would not be fulfilling its duty to its own people. The central banks of other countries constitute an excellent source of information. They can often provide facts rather than surmises. Co-operation along these lines is therefore extremely helpful, and can be developed by arrangement between central banks. Obviously, co-operation on any matter of high policy must be dictated by the views of the governments of the countries concerned.

The last point which I would like to mention concerns central banking activities of a general character. In speaking of this—very briefly—I will not try to define exactly the things in which a central bank might interest itself. One might say either that nothing is the bank's business, or that everything is its business. The bank must try to maintain a reasonable balance in that respect. It should not entertain the thought that it should have a finger in every pie, but it certainly must neglect no opportunity to make suggestions or give a lead when its knowledge of a situation gives it reason to believe that such action would be in the public interest. Its closest connection is likely to be with the financial activities of its market—with the operation of the stock and bond markets as well as with the business of the commercial banks. It is deeply interested in the machinery by which the savings of the people are mobilized and invested. Moreover, it cannot fail to be concerned with the progress and development of industry in general. If the bank has reason to believe that unsound developments are taking place, or unsatisfactory practices are being followed in any important department of the Canadian economy, it must try to find an opportunity to make suggestions which will bring about an improvement. I do not suggest for a moment that the central bank has superhuman intelligence, but a central bank is in a better position to accomplish something than any individual can be. Naturally, successful prosecution of activities of this character depends on experience and the wisdom and prestige which come with it. Ill-considered action, or an attempt to cover too wide a field, are equally fatal.

Further points raised by questions by Dr. Donnelly related to cost of operation and certain other features of the bank's activities, and in particular I think there was a desire to gain some idea as to what one might call the new costs of this relatively new institution. I have here a statement which in due course, with the permission of the committee, I will put on the record, which contains such an estimate, but I would like to add some explanatory remarks as to how it was made up.

First of all, we took the total amount of our operating charges. From that we deducted the costs incurred in operating departments which performed functions previously performed by the government. We know that if there had been no Bank of Canada, these functions would still be performed by the government. We know also that our costs of operation are no higher than they would have been under the old regime. In these various cases, as a matter of fact,