

position, and that is a vital principle which should be decided upon the second reading of the bill. In 1931 I moved in this house a resolution asking for the establishment of a central bank, but I said emphatically that it should be a nationally owned central bank. Those are the words that were used in the resolution. While this bill would establish a central bank it does not provide for national ownership and control. I say again that I consider that a vital principle. Control is perhaps the most vital thing but the way to ensure national control is to provide for national ownership. I think beyond a doubt it is fair to say that one of the outstanding principles to be decided now is whether this bank is to be under private or public ownership, and therefore, Mr. Speaker, before I conclude I intend to move:

That all the words after "that" in the main motion be struck out and the following substituted therefor:

In the opinion of this house the government should give further consideration to the matter of providing that the stock of the proposed central bank should be owned by the government and that the governor and directors of said bank should be appointed by the governor in council.

I want to make it clear, Mr. Speaker, that I am not opposed, and we are not opposed, to the setting up of a central bank. We think this step should have been taken years ago but we believe that it is vital that the bank should be a publicly owned institution. The bank as proposed in this bill represents the view of a minority of the members of the commission. That is something that should not be forgotten. The two members of the commission who recommended the setting up of a central bank as now proposed in this bill were neither of them Canadians. They were both from outside of Canada, and one of them was a director of the Bank of England.

Mr. BENNETT: I might correct the hon. gentleman. He had been a director of the Bank of England, not was.

Mr. COOTE: I am glad to accept the correction of the Prime Minister and I regret if I misstated the case. Two members of the commission were opposed to the setting up of a central bank, and the Hon. Mr. Brownlee, while approving of the idea of a central bank, was quite emphatic that it should be publicly owned and controlled. Perhaps I might quote in part what he said. After referring to the recommendation as made by the other two commissioners, Mr. Brownlee said:

I dissent from this suggestion and recommend that the capital be subscribed by the government of Canada, and that all directors

[Mr. Coote.]

and executive officers be appointed by that government, each appointment to be for a fixed number of years.

The source of capital is in itself of little significance. The control of the bank is of great significance. The election of directors by private shareholders means private control, and notwithstanding the limitation of the rate of dividends, this control might place earning capacity as a first consideration. The only reason advanced in favour of private, as against national, control is the fear of political influence. I am not impressed by this argument. I believe the selection of directors and executive officials by a government would be as wise as that of a body of shareholders, the majority of whom might vote by proxy. It is admitted that the state must ultimately retain sovereignty in matters affecting currency. Emphasis is placed upon the necessity of close accord between the bank and the government in all that pertains to the external value of the country's currency. The primary purposes of a central bank are, in paragraph 206 of the report, defined to be the regulation of the currency in the best interests of the state, and by wise and timely cooperation with similar institutions in other countries to mitigate as far as possible fluctuations in the general level of economic activity.

In times of stress the policies of the state must prevail, whatever may be the constitution of such a bank. In normal times I am of the opinion that the function of the governor, deputy governors and board in carrying on all the functions of such a bank would not suffer as a result of appointment by the government. It is suggested, in the plan in the appendix that the government should exercise partial authority in the selection of the executive officers of the bank. In my judgment it should exercise full authority.

So far as I am personally concerned I am heartily in agreement with the Hon. Mr. Brownlee, and may I again quote from the report of the commission, page 93:

The state must ultimately retain sovereignty in matters affecting currency.

The control of currency and credit can in no sense be defended as a legitimate form of private enterprise. Surely no one is going to dispute that. It seems to me a backward step, and not a step forward. The bank shall be given control of credit. Credit is the lifeblood of industry, and through credit, employment and purchasing power is controlled. Real power is exercised by those who control credit. They would have more power than the government itself. The very life of the nation economically speaking, is to be committed by this bill to the care of a privately owned institution. The control of credit is really the control of the nation, and any government that leaves the control of credit in the hands of a privately owned institution, in the hands of a private bank such as this, will find itself unable to control the political policy of the nation unless it