

Mr. YOUNG: On their total circulation?

Mr. RHODES: Yes, that is to say, they pay that tax on their regular circulation. Of course there is provision for the additional issue of 15 per cent of their circulation for a certain period, on which they pay a much higher rate.

Mr. MACKENZIE KING: In one of his addresses the Prime Minister intimated that the government's intention to establish a central bank was partly the outcome of a resolution passed at the world economic conference approving one of the resolutions of the monetary and financial commission. I believe that this resolution states that among other purposes the central bank is necessary in order to provide an international gold standard, with the necessary mechanism for its satisfactory working. Would the Minister of Finance be kind enough to indicate whether or not there is a provision in this bill for that purpose and, if so, the nature of the provision?

Mr. RHODES: Yes; I think the bill as drafted is amply wide to take care of all international transactions, including gold. I pointed out that the standard of the bank will be a gold bullion standard, but at the same time the bank may buy and sell gold coins.

Mr. HANBURY: Before this resolution is reported may I say that as I understand it, private ownership is service for a profit. Under this measure I understand the profit is going to be limited and it is a question in my mind whether it would be in the interests of efficient operation of a central bank to give permission to make some small return over and above what has been provided, so that we will at all times be assured of efforts to increase efficiency.

Mr. RHODES: Mr. Chairman, the profit above the fixed amount for which there is provision in the bill, namely of six per cent, goes to the consolidated revenue fund. We have endeavoured on the one hand to provide a fair return for the capital which is supplied from private sources but on the other hand have tried to eliminate the urge to make profits, as profits.

Mr. BENNETT: There is no limitation upon the profits, but there is upon the dividends.

Mr. HANBURY: That is the point I have in mind. The time may arrive when a profit has not been earned. If we have a private bank striving to earn profits, but is not successful in that effort, it may be that the service would become less efficient. That is

[Mr. Rhodes.]

the point I am bringing to the attention of the minister, namely as to whether or not we should not maintain some basis of profit so that we may continue at all times to increase efficiency and the desire for greater profit.

Mr. BOWMAN: Are the dividends to be guaranteed by the government?

Mr. RHODES: No, they are not. As a matter of fact, if the bank does not earn six per cent there will be no dividends paid.

Mr. BOWMAN: They will be cumulative?

Mr. RHODES: Yes, they are cumulative.

Mr. MACKENZIE KING: The minister has stated that the provisions in the main are based on the findings of the royal commission. Could the minister indicate whether or not the bill departs in any particular from the findings of the commission?

Mr. RHODES: There may be some details, but in its broad features I think it is fair to say that we have followed the recommendations of the Macmillan commission. I have in mind one instance, for example, where the commission recommend that the reserves of the bank should be twenty-five per cent in gold and foreign exchange. We have provided that it must be twenty-five per cent in gold, and that any foreign exchange must be over and above the twenty-five per cent, which means that we have gone even farther than was recommended by the commission.

Then, of course there are other recommendations. For instance, one major recommendation made by the commission was that the central bank should take over and manage the public debt of Canada. We did not see fit to recommend in this bill that that feature should be mandatory. But, in the main we have followed the broad general recommendations of the commission, departing perhaps here and there in detail.

Mr. MACKENZIE KING: The wording of the resolution has prompted my question. It might be construed as meaning that all the provisions of the bill are as recommended by the royal commission. But I am quite satisfied with the minister's reply to the effect that there are some provisions which are not in accordance with the recommendations of the commission, and differ from them. I assume that when the bill comes before the committee and there is consideration of any of the provisions the minister has mentioned, a suggestion which may run counter to the recommendations of the commission will not be ruled out because it is a counter recommendation.