

Q. It is a subsidiary of the Bank of England in exactly the same way as this is.

Mr. TOWERS: Not wholly owned, only partly owned.

Mr. McGEER: Subject to that distinction, but the Bank of England is virtually the dominant head of that bank. I think we will agree on that.

The WITNESS: In this connection I think the preamble is pertinent.

Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through insuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises.

Rather, therefore, than provide for a separate form of government corporation and then try to bring about the necessary co-operation or co-ordination between the new government corporation and the Bank of Canada the government thought it more efficient and sounder to make the Industrial Development Bank a subsidiary of the Bank of Canada.

In the third place I should like to make a point which I am sure Mr. Graham Towers will not like. I am going to make it, anyway. It is that the government has great confidence, and I think rightly, in the management of the Bank of Canada, and believes that management can arrange more efficiently and economically for the carrying out of the difficult role which the Industrial Development Bank will have to play, provide a more efficient and economical arrangement than any new corporation built from the ground up almost over night.

Finally, the new function given to this subsidiary of the bank will not, I think, interfere in any way with the primary function of the central bank in regulating and controlling the volume of money and credit in circulation. On the contrary I would think that it might assist in enabling this main function to be carried out more efficiently because of more intimate contact with the Bank of Canada will hereby have with the conditions and the problems of small and medium sized industries throughout the country. I think it is an important point that this bank's work, this kind of function, will bring Mr. Towers and the management of the central bank more constantly and more intimately in touch with the conditions and problems of small business throughout the country.

The last point that I wish to refer to is the size of the bank, the question whether a \$100,000,000 institution is sufficient to do the job. Under that head I should like to say first that \$100,000,000 after all is a pretty large figure in spite of the ease with which we talk about billions of dollars these days. It is a pretty substantial figure. I think Mr. Abbott contrasted it with the couple of hundred million dollars of industrial loans by the chartered banks prior to the war. Secondly, it was thought wisest to start this bank modestly because we were breaking new ground, and to give parliament an opportunity to see how the new institution would work rather than start with a very grandiose scheme. In that connection if more funds are shown to be needed as the bank acquires experience in the next year or two it will be easy, presumably, to come back to parliament and request that the capital stock and the assets available to the bank be raised. That method of procedure will enable parliament at that time to review the operations of the bank, to see the function that it is performing, the need which it is filling, and to decide whether or not its assets, its size, its magnitude should be expanded. I think, Mr. Chairman, that is all I need to say at the moment.