

comprehensive study of our entire monetary and currency system the commission made several important recommendations with which all hon. members are doubtless familiar.

Among the recommendations, and overshadowing all others is the majority recommendation for the immediate establishment of a central bank in Canada. In addition to this the report contained valuable suggestions for the constitution of such an institution. After careful analysis of the entire range of arguments submitted by the commission in support of its recommendations, the government submits to the house this measure to incorporate the Bank of Canada.

It is perhaps worth while to point out the extent to which the principle of central banking has been adopted by important countries of the world. In most of the leading countries the present central banks have, as the Macmillan commission pointed out, reached their present positions of national and international importance by a long process of growth. But particularly since the war the spread of this type of institution to other countries has been very rapid. In fact, Canada is almost in a unique position in being one of the few countries of the world which up to the present time has not had a central bank. Among other British dominions Australia and South Africa have had such institutions for several years, while New Zealand and India have, during the last few months, passed legislation providing for the establishment of central banking institutions. Post-war world conferences repeatedly have pressed for the further establishment of central banks.

We find the following at page 62 of the Macmillan report:

The International Financial Conference held at Brussels in 1920 unanimously recommended that:

"The conference is of the opinion that in countries where there is no central bank of issue, one should be established."

Again, at Genoa in 1922, the International Economic Conference resolved that:

"Banks, and especially banks of issue, should be free from political pressure, and should be conducted solely on lines of prudent finance. In countries where there is no central bank of issue, one should be established."

At the World Monetary and Economic Conference of 1933, resolutions, to which Canada was a party, were adopted that:

"The conference considers it to be essential in order to provide an international gold standard with the necessary mechanism for satisfactory working, that independent central banks, with the requisite powers and freedom to carry out an appropriate currency and credit policy, should be created in such developed countries as have not at present an adequate central banking institution.

"The conference wish to reaffirm the declarations of previous conferences with regard to the great utility of close and continuous cooperation between Central Banks."

The question naturally arises: Why has Canada not hitherto had a central bank? I think perhaps the answer is rather flattering to us as a people, and certainly it is a tribute to the character of the services which our existing banks have rendered up to the present time, because it has been due largely to the operation—and successful operation—of our existing system that we could afford, for the time being, to postpone supplementing it with a central bank.

Admitting this fact however, is not to be taken as implying that our banking structure has deteriorated in recent years, making it necessary to supplement it. Rather, the changes which have rendered such action at present desirable are largely external. The complex post-war world conditions within which our banking and currency mechanism must operate have engendered forces which are not amenable to the highly simplified statutory control over our financial structure such as has sufficed up until now. Changed and changing conditions demand constant supervision and an active, rather than passive mechanism of control. To meet these demands is the main purpose for which the central bank is to be created. Perhaps no better statement is available of the chief functions of a central bank than that which is contained in the Macmillan report, and which is to be found at page 63 as follows:

In the first place, from a national point of view, the central bank, within the limits imposed by law and by its capacities, should endeavour to regulate credit and currency in the best interests of the economic life of the nation and should so far as possible control and defend the external value of the national monetary unit. In the second place, from the international point of view, the central bank by wise and timely cooperation with similar institutions in other countries, should seek, so far as may lie within the scope of monetary action, to mitigate by its influence fluctuations in the general level of economic activity. These functions do not, of course, exhaust the tasks of a central bank. Within a state the central bank should, in addition, be a ready source of skilled and impartial financial advice at the disposal of the administration of the day. In return for the privileges which the state confers upon it, the bank should use its store of experience in the service of the community without the desire or the need to make profit a primary consideration.

In simpler form these functions may be stated as:

1. To regulate internal credit;
2. To regulate the foreign exchanges;
3. To mitigate fluctuations in the level of