2. A department of taxation empowered to prevent excessive accumulation of currency and credit note issue.

3. A department of economy for the regulation and control of all internal trade and commerce.

4. A department of foreign trade for the development, control and regulation of international trade, commerce, currency and credit.

I think there is authority for this four-point plan in the Macmillan committee report which was published, after being filed with the British government in 1931, and I should like to refer the members of the committee to the sections of that report which I think warrant the plan that I am outlining. Sir Josiah Stamp, in dealing with that report, made this statement: "The Macmillan committee report is easily the best up to date textbook on the financial system. There is more here of intelligible exposition than can be found elsewhere."

Now, as I read that report, it marks I think in an epochal way the beginning of economic planning for the British empire. It says, in section 280:—

> The monetary system of this country must be a Managed System. The major objectives of a sound monetary policy are the avoidance of the credit cycle and the maintenance of economic and social stability.

And points out that these objectives cannot be attained unless the money system is managed by "individuals placed in a position of unchallengable independence." The words "unchallengable independence," mean more than the mere independence of political influence. It also means complete independence of one's self interest. The managers of the money system must be placed in that same position of sacred trust and responsibility that we impose upon the members of our judiciary; because the management of the issue and circulation of the purchasing power medium of exchange is just as essential to the well-being of the social structure as is the administration of justice.

Dealing with the necessity of the times, the committee says in section 118 and addendum 1, section 2:—

> The best hope of a remedy (for the existing depression) lies in a monetary policy designed to increase the volume of purchasing power, to decrease interest rates, and to stimulate the spirit of enterprise and the volume of investment.

This is simply nothing more than the statement that the volume of active capital in circulation as wages, and as productive active capital must be increased. The report then deals with the bankers' method of treating deposits. "Since the bankers, as a whole in operating practice maintain a cash proportion of deposits of roughly 10 per cent of the cash, the bulk of the deposits arise out of the actions of the banks themselves; for by granting loans and allowing overdrafts and purchasing securities, a bank creates a credit in its books which is equivalent to a deposit." And if you want to find out in detail how under the English banking practices, which are now established in Canada, and in the United States, deposits are created, let me refer you to sections 70, 74, and 75 of the English Macmillan report, and you will find this, that the bankers as a matter of general practice, create deposits in this particular way: A man comes to a bank for a loan, and he deposits his securities with the bank; the bank then creates a deposit by making an entry in the banker's books, which is transferable by cheque. By actual practice the bankers know that if they hold 10 per cent of their total volume of deposits in cash, they will have enough cash on hand to satisfy the demands of the public for till money or petty expense account money, and a sufficient amount under a modern banking system to settle inter-bank balances that arise when the issue of cheques against the bank fails to balance with the cheques deposited with it.

[Mr. G. G. McGeer]