

Hon. Mr. LYNCH-STAUTON: But it would be a tax on the banks just the same.

Hon. Mr. BLACK: I know that the banks do make some money on the circulation of their own bills. It is quite proper that they should do so. Further, they get considerable advertisement in this way, because the bills are circulated throughout the country with the names of the issuing banks on them. The issue of notes is profitable to the banks for another reason. Most people some time or other lose a bank note or two. Perhaps my honourable friend has lighted his pipe with one. People do that sort of thing sometimes. In any event, a certain percentage of these bank notes is lost. Suppose a house takes fire and some bank notes are burned. The owner of the house loses the money and the bank that issued the notes is the gainer.

Hon. Mr. McMEANS: How much do the banks make on their notes?

Hon. Mr. BLACK: My honourable friend will have to ask the banks about that. I am very sympathetic towards the banks, because they have performed a valuable service in this country, but it seems to me that any loss of revenue the banks would suffer because of the issue of notes by a Central Bank would not in itself be a sufficient reason for us to decide not to have a Central Bank, if such an institution can operate to the benefit of our country in the way that it is expected to do.

Referring further to the Macmillan Report, I find that another reason given for the establishment of a Central Bank is that it would be endowed with the primary responsibility of maintaining the external stability of the country's currency. Well, that is a big order. We are the fifth trading country in the world to-day, and undoubtedly we shall climb higher, but it is pretty difficult to imagine a country with only ten and a half million people being able to do much through a Central Bank towards the regulation of world currency. Undoubtedly, however, such a central organization could do much towards stabilizing our own currency.

The report further states that the Central Bank would be able to furnish the Government of the day with impartial advice on matters of financial policy. One of the reasons advanced for a similar institution in Australia was that a Central Bank would be able to advise the Federal Government on financial conditions, not only throughout the country, but all over the world. The reports of the Imperial Conference show that strong recommendations were made in favour of the establishment of a Central Bank in

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every Dominion, and this ability to furnish the Government with impartial advice was stressed as one of the most important advantages that would accrue.

Furthermore, the report claims that the Central Bank would act as a stabilizer in matters of foreign exchange and also in domestic exchange. It may be said that these are the same thing, but they are not. When exchange in the United States was 20 to 25 per cent against us there was no real reason at all for such a high rate. Our dollar was then worth only 75 cents in the United States, yet we had just the same amount of gold then as we had when our money was at par with the American dollar, or when our money was at a premium of 2 or 2½ per cent. Also, we had the same population as before, the same type of people, a type that has proved itself equal to any in the world. We had all our vast resources, fertile farms, magnificent forests, mines of untold wealth, and our great fisheries. The high rate of exchange against us was due simply to psychology plus manipulation on the New York Exchange. It is true that we had large obligations in the United States and were required to send over big sums in payment of interest on borrowings by our Dominion and provincial governments and large industrial institutions, and the manipulators of Wall Street took advantage of that situation to build up the exchange against us much higher than I believe it should have gone. I think a Central Bank could do a great deal towards preventing a situation of that kind.

Reading between the lines in the Macmillan Report, I have formed the opinion that a Central Bank might be able to look after other exchange conditions. If I had wanted to buy a bill of exchange on New York this morning I should have had to pay one and seven-sixteenths per cent, but if I had some New York funds that I wanted to bring in here I could get only three-sixteenths per cent. These figures were given to me this morning. Every bank is entitled to a reasonable commission, but I maintain that the people of Canada who have to pay their bills in New York have had to pay too high a rate of commission. One-sixteenth of one per cent on a large transaction ranging from \$100,000 up to \$1,000,000 is an ample rate; for smaller sums a rate of one-quarter of one per cent is sufficient. We know the money is not actually transferred on the particular day of the transaction, but that later on, through the clearing-house, balances are adjusted between one bank and another. In this connection a Central Bank should have