

*By Hon. Mr. Hanson:*

Q. And it also depends on the taxation. This bank will pay no taxes while private enterprise will have to pay taxes?—A. Yes.

Q. I should like to attract some attention to that aspect.—A. Is that question pertinent here?

Q. It is pertinent to your statement made just a minute ago.—A. I have been talking about the proposal to set up a private corporation of some sort instead of this government agency to make this type of loan. I do not think that the success or failure of this institution is going to depend on the tax structure essentially.

Q. Do you not think it is an element?—A. It is an element. I do not know what you are thinking of, Mr. Hanson, whether you are assuming a continuance of tax rates on the present basis of excess profits taxes, and so on?

Q. I am thinking about taxes on the industry itself.

The CHAIRMAN: Excuse me, the reporter is having difficulty in getting your remarks.

Hon. Mr. HANSON: Perhaps we had better let Dr. Clark continue and then he will be re-called for cross examination.

The WITNESS: So much for the alternative.

Mr. KINLEY: I think I must intervene here. Dr. Clark has been stressing the idea of a private bank. I never heard that in any speech. He said that some were advocating that. The thing is whether it should be an interlocking directorate as a public bank with the Bank of Canada.

The WITNESS: That is what I am coming to now.

Mr. McGEER: I do not think we have anybody in the House of Commons who would suggest that this should be a private corporation in view of the success of the Bank of Canada.

The WITNESS: The government had before it two alternatives. I have dealt with one. Now I am coming to the other. The second one is that it should be set up as a government corporation independent of the Bank of Canada, not interlocked, as you say, with the Bank of Canada. In this connection it is said it is unwise to mix the functions of the Industrial Development Bank with the primary central bank function which is the control or regulation of the volume of money and credit in circulation. On that point I would just like to make these comments. It is true that most central banks do not engage in ordinary banking operations. Nevertheless there is a precedent for the tie-up of this type of thing with central banks. I think various speakers in the house have referred to the Bankers Industrial Development Corporation in England set up under the auspices of the Bank of England, and also to the industrial loaning program of the Federal Reserve Banks of the United States administered under section 13(b) of the Federal Reserve Act.

There is a precedent for setting up this bank as a subsidiary of the central bank. In the second place under any form or organization there will be necessity for the closest possible co-operation between the Bank of Canada and the Industrial Development Bank. The Bank of Canada is the channel through which the monetary policy of the government is put into effect. The operations of the Industrial Development Bank will naturally have to dovetail into the country's monetary policy.

*By Mr. McGeer:*

Q. Would you say that this is modelled after the English practice?—A. No, I would not say it is modelled after the English practice.

Q. It is pretty similar to it. It is a subsidiary. What do you call that bank in England?—A. The Bankers Industrial Development Company.