

and responsibility of issuing licenses permitting exports of gold which might be deemed to be in the public interest; and I recall that on one occasion Mr. Pease, who was then President of the Canadian Bankers' Association, came to Washington with three or four of his associates, and told us something of your currency system. He came there asking for a license to export to Canada as much as \$25,000,000 of gold, which might be needed as cover for additional currency. The Federal Reserve Board very willingly granted the license. I never followed it up. I did not recall whether any exports were made under that license, but in mentioning the matter yesterday, I found that you imported no gold under that license; it was a precautionary measure only. It very often happens, as you know, when there is a run on a bank, if the depositors find they can get their money, they do not take it. In the same way, when the Dominion authorities found that the gold was available in the United States if they wanted it, they managed to get along without it. So, we did you a nice neighbourly act, saved our politeness, and kept our money too.

I was not aware that there was any movement to amend your banking laws in Canada, until about two weeks ago. I was in Washington on another matter, and called at the offices of the Federal Reserve Board. I was informed that the Governor of the Board had just received a telegram from Mr. Hay asking if either I or a representative of the Federal Reserve Bank of New York would come and testify before this Committee. The Board decided that in view of the fact that I had been President of a member bank in Alabama, had served as a member and governor of the Federal Reserve Board for eight years, and was now Governor of one of the Federal Reserve banks, it might be well for me to come. The members of the Board, in discussing the matter with me, outlined their views, which are entirely in accord with my own, to the effect that I should not come to Ottawa with any idea of giving you gentlemen advice, especially unasked-for advice. Of course, any knowledge that I have of the Canadian banking system is derived from what I have read about it. I have had no practical experience with it; my knowledge of it is necessarily superficial. But, I am here to outline to you, in a broad way, just what the Federal Reserve system of the United States is, and what it is not; and then after I do that, I will tell you what its functions are, some things that it can do and does do, and some things that it cannot do. Then you will be in a much better position I think, to decide for yourselves whether or not you wish to modify your own banking laws so as to incorporate some similar structure into your banking system here. There is quite a long story connected with the inception of the Federal Reserve system.

Back in the year 1791, Alexander Hamilton, who was the first Secretary of the Treasury—and "Secretary of the Treasury" is the name that we give to our Finance Minister—advised that in his opinion it was necessary to set up a Central Bank, and Congress passed the necessary legislation, and the first bank of the United States was incorporated and organized. At that time, the United States was a small country, and a very poor country, infinitely smaller and poorer than your great Dominion of Canada is to-day. The population was I suppose, from three and a half to four millions and the natural resources of the country were largely undeveloped. There was not very much accumulated wealth. It was necessary to rely upon Europe for the capital with which to inaugurate the first Bank of the United States. If I remember correctly, the majority of the stock was held in Holland. Some little American capital went into it. That bank was given a charter for twenty years. It had the note-issuing privilege, and it functioned well and served a very useful purpose. But, meanwhile, during those twenty years, the country had been developing, and there were a number of banks chartered by different States, such as Pennsylvania, New York, and Massachusetts, and in 1811, when the

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