to them, and making provision to secure the largest profits to relieve the taxpayer of his burdens. That is, all the profits resulting from the operations of this bank, with the exception of the dividend upon the $5,000,000 capital. Mark you, the taxpayer would have to pay interest if the money were borrowed on the open market, but by the proposed plan it is the shareholder, instead of the taxpayer buying the bonds upon which the interest is paid. It may be the rate would be slightly less in one case than the other, but the interest on the capital would in any event have to be paid. In that connection may I remind my hon. friends that the Commonwealth Bank of Australia in its early years was operated at a loss, until its expanding powers enabled it to cope with the situation and make not only profits but build up a reserve which was capitalized in 1924 as I have indicated.

So in taking the steps we have in carrying out the majority opinion of the Macmillan commission I do submit that it was not done merely because it was their opinion, but because the experience of business men throughout the world has been that we have not yet been able to devise any legislative action, any scheme whereby those who are responsible for the conduct of business when publicly owned are subject to the scrutiny and criticism that falls upon the directors of private enterprises at the hands of the shareholders. That is one of the great reasons that has influenced your government in arriving at the conclusions that are expressed in the bill.

I had not intended to deal with so many of these matters as I have. I only trust that the assurance given by the Minister of Finance may be taken to heart by every hon. member of the house and that an earnest effort be made to place upon the statute books, by the collective wisdom of all groups in the house and every individual who has a constructive suggestion to make, a measure that will create for us the Bank of Canada, which will discharge its functions as well as, if not better than, any central bank established in any country of the world.

Motion agreed to and the house went into committee, Mr. Lennox in the chair.

Mr. MACKENZIE (Vancouver): I think the Minister of Finance indicated in his address that the gold reserves of the treasury would be taken over by the central bank and that the profit would go to the dominion government. Has he any computation of what that profit will be?

Mr. RHODES: No, it is not possible to make that computation. When the bill is brought down we will see that provision is made for a computation.

Mr. COOTE: May I ask the minister whether the central bank will take over the gold held by the chartered banks, if so, at what price?

Mr. RHODES: It is proposed that the gold which is taken over shall be gold which is applicable to their business in Canada. It is not proposed to deal with the gold which is earmarked as a reserve against the liabilities of the bank outside of Canada in the same manner as the gold which is held as a reserve for business in Canada.

Mr. COOTE: Am I to understand from that answer that part of the gold held by the banks in Canada is earmarked for business outside of Canada?

Mr. RHODES: Yes, it is, and has been for a very considerable length of time.

Mr. IRVINE: I should like to ask the minister a question having to do with the control of the bank. Supposing the central bank was endeavouring to regulate the control of credit in Canada, and supposing the policy it adopted in order to do so was contrary to the policy of the government of the day, and they clashed, which authority would make the decision?

Mr. RHODES: Unquestionably the authority of the governor and the board of directors of the bank would prevail.

Mr. YOUNG: Now give us an example of that; we do not understand what you have in mind.

Mr. IRVINE: If my hon. friend expects me to give him an example I should be very glad to do so, but I should like to take a week in order to make sure that he understood it.

Mr. YOUNG: Then will the hon. gentleman come back in a week with an example?

Mr. SPENCER: I think in outlining the set up of the bank the minister said there would be seven directors. I should like to ask how these directors are to be appointed. I know they are to be appointed by the governor in council, but is it suggested that they should come from different parts of Canada or that they should represent different callings, or has the government anything in mind with regard to their qualifications?

Mr. RHODES: The directors are to be selected in the first instance by the governor in council and they will retire in rotation in order to make for continuity of policy. As