

Grinn
May 9, 1935LEGAL OBJECTIVES OF FOREIGN CENTRAL BANKS AS STATED IN THEIR CHARTERS

Not all central bank charters contain a clear statement of the purpose for which the banks are being established. For instance, no legal objectives appear to be stated for central banks in England, France, Italy, or Japan. The purposes of the four central banks established within the past year, however, are definitely stated, and similar statements may be found in the statutes of a number of older institutions. A résumé of these statements is given below.

NEW CENTRAL BANKSCanada

Preamble - "Whereas it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion: ..."

New Zealand

Article 12 states that the primary duty of the bank is to exercise control, within the limits of its powers, over monetary circulation and credit, "to the end that the economic welfare of the Dominion may be promoted and maintained."

India

The preamble states that pending such clarification of the world financial situation as would permit establishment on a permanent basis of the Indian monetary system, the purpose of the new Reserve Bank of India shall be "to regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in British India and generally to operate the currency and credit system of the country to its advantage."

Argentina

"Art. 3 - The objects of the bank shall be:-

- (a) To concentrate sufficient reserves to moderate the effects of fluctuations in exports and investments of foreign capital upon currency, credit and commercial activity, in order to maintain the value of the currency,
- (b) To regulate the volume of credit and the means of payment, adapting them to the real volume of trade.
- (c) To promote liquidity and sound functioning of bank credit; and to put into effect the provisions of the banking law with regard to supervision, examination, and regulation of the banks.
- (d) To act as financial agent and counsellor of the Government in foreign or internal credit operations, in the issue and service of public loans."

OLDER INSTITUTIONS

Germany

"Art. 1 - The Reichsbank is a Bank independent of Government control and having the character of a corporate body whose task it is to regulate the circulation of money in the whole area of the Reich, to facilitate the

clearance of payments and to provide for the utilization of available capital."

Switzerland

Article 2 states that the principal task of the Bank is "to regulate the money market and to facilitate payments."

Yugoslavia

"Art. 2 - The objects of the Bank are:

1. To regulate the circulation of the currency (according to the relevant laws) and to maintain its stability and security.

2. To provide and control the short-term credit necessary for the economic life of the country.

3. To cooperate, in its capacity as banker to the State, with the Treasury and to make temporary advances to the Treasury for its requirements at seasons of the year when public receipts are less than expenditures."

Poland

Article 1 states that the Bank is established "in order to maintain the stability of the currency, to regulate the monetary circulation and credit."

Finland

"Art. 1 - The object of the Bank of Finland is to maintain stability and security in the monetary system of Finland and to assist and facilitate the circulation of money."

Lithuania

"Art. 1 (paragraph 2) - The Bank's functions are to regulate the circulation of money; to facilitate the payment of money in the country and abroad; to realize a stable and strong currency system; and to encourage the growth of agriculture, commerce and industry."

Danzig

"Art. 2 - The purpose of the Bank is to regulate the circulation of money, to facilitate the clearance of payments in Danzig and transactions in foreign exchange, and to carry on other bank business in accordance with its charter."

In the following countries chief emphasis^{is} placed, in the provision stating the purpose of the central bank, on controlling the currency with a view to maintaining a fixed gold value: Austria, Bulgaria, Estonia, Greece, Hungary, Portugal, Rumania.