

Private Bills

granted those gentlemen—if Bill S-22 ever goes through—to incorporate themselves in order to lend money is much greater than any of the benefits enjoyed by concerns other than banks.

And the British associate-secretary to the Treasury, Mr. Ralph W. Hawtrey, was aware of that kind of operation since he dared state once, and I quote:

Whenever a bank lends money, it creates money out of nothing.

Mr. Speaker, I would like to quote a few articles I have been reading in various pamphlets:

The multiplication of credit by banks is a recognized fact.

1—The Bank of Canada balance sheet for each year from 1957 to 1960 reveals that coins and paper currency make up 8.2 per cent of our money in circulation while credit created by banks accounts for 91.8 per cent.

2—We have many statements from authorities in this field:

(a)—A Canadian financial authority, Mr. M. W. Trimble from the Ryerson Institute of Toronto, wrote in his book *Understanding the Canadian Economy*: "We already know that the most considerable form of money is credit and that most of the credit is created out of nothing by banks. Banks lend money which comes from nowhere and which goes back nowhere when the loan is reimbursed. Practically all bank revenues derive from interest paid on money which does not exist."

Mr. Speaker, I would like to emphasize the last sentence by quoting it again:

Practically all bank revenues derive from interest paid on money which does not exist.

And I go on with the quotation:

(b)—The Governor of the Bank of Canada, Mr. Graham Towers, appeared in 1939 before the parliament committee on banking and commerce and revealed the extent of credit created by chartered banks.

Here is the text of an exchange between Mr. Graham Towers, former Governor of the Bank of Canada, and a witness during a meeting of the committee on banking and commerce:

Question: You say they cannot lend what they do not own?

Answer: That is true. Banks cannot make loans with depositors' money. They have no control over what depositors do with their savings.

Question: What if they happen to have deposits to lend?

MR. TOWERS: They do not lend those deposits.

Question: But there is no doubt that the bank provides a means of exchange?

MR. TOWERS: That is true. That is why they exist—These are banking transactions, in the same fashion as steel plants produce steel—Here the manufacturing process is to make an entry on a card or in a book with pen, ink and a typewriter. That is all.

Question: 95 per cent of our business consists in withdrawals on bank accounts, that is in entries in bank ledgers, against which people issue their cheques.

MR. TOWERS: I believe that this statement is true.

Question: When the government delivers a \$1,000 bond to the bank, how does the bank purchase it? Does the transaction involve the creation of additional money?

MR. TOWERS: It involves the creation of additional money.

Question: In other words, when \$1 million worth of bonds is offered to the banks, new money or the equivalent of \$1 million is being created?

MR. TOWERS: Yes.

Question: The same happens when a municipality or a province borrows?

MR. TOWERS: Or an individual borrower.

[Mr. Godin.]

A distinguished English banker, Mr. Reginald McKenna, who was for some time Minister of Finance in his country and then many years as chairman of the Midland Bank, one of the larger banks of England, said at the 1934 annual meeting of the shareholders, and I quote:

People generally ignore that the money supply depends on the action of the banks. Any bank loan, direct or unsecured—increases outstanding credit, and any reimbursement of a bank loan cuts the supply by that much.

Having been a Minister of Finance, Mr. McKenna knew very well which of the two powers was stronger, the bank or the highest government of the country. He was even candid enough, a rare occurrence among bankers at that level, to declare:

They (the banks) control the nation's credit, direct government policies and hold in the hollow of their hands the fate of the populations.

Mr. Speaker, in short, if United Bank of Canada opens its doors, it will be empowered to issue money and credit, to condition the money and credit supply, to determine the duration of that credit supply, the power to demand reimbursement at a date set in advance, under the penalty of seizure of the debtor's assets which are the outcome of his labour, setting also the terms for the discharge or reimbursement and requiring some guarantees.

• (5:40 p.m.)

The bank, empowered to lend money originating from nowhere, will belong to the group of banks that control the national credit, establish government policies and hold in their hands the fate of the people. Even if there is another institution to help them, those who control money and credit will not grow a single stalk of wheat, sew up a pair of shoes, build a single house or part of a road.

Mr. Speaker, by allowing the creation of another bank, we are merely adding to the number of institutions exploiting all levels of governments as well as all classes of society.

As regards individuals, corporations and governments, this new bank will control the right to mobilize the talents, good wills and natural resources of the nation. It will grant or refuse, but it will get into debt all those who will come up to its counter.

Mr. Speaker, if Bill S-22 passes, it is obvious that the old parties will have one more institution that will subscribe to their electoral funds.

And since I have been elected with quarters collected by volunteers among my electors, I have no qualms about asking senators to prepare another legislation likely to make changes in the present system which enables banks to exercise their power like bandits.

For the information of Canadians, bills like Bill S-22 must be opposed. What we need to satisfy the requirements of the community is an act to improve the monetary system in Canada.

The state must get its financial sovereignty back, as well as its control over the issue and volume of money and credit.

Mr. Speaker, Canadian experts know it and, if they are honest, they will say that all we need now is to establish a commission with full authority which it could get from Parliament.