

*Bank of Canada Act*

Mr. Chairman, I would ask the minister to be more specific on this point. Let us define the problem. I trust the Minister of Finance will not speak again of putting the money press to work, for we now say to him—and I feel the matter is clear enough—that it is not a question of printing bills, but one of creating credit, just as the chartered banks are doing at the present time. The minister tells us it would lead to inflation. I therefore ask him, had the Bank of Canada instead of the chartered banks, created, in 1966, \$1,669 million in credit, as, by the way, the chartered banks did in 1965, would this have placed a single cent more in circulation in Canada. Would there be a single dollar's worth of credit more in circulation in Canada, if that amount had been provided by the Bank of Canada rather than by the chartered banks? There would not have been one extra cent. Obviously, as I said last night, if the Bank of Canada were to create credit, then the chartered banks should no longer have the authority and privilege to do so. Chartered banks should no longer have the power and privilege to multiply their monetary reserve by twelve. They should no longer have that privilege, because if both the Bank of Canada and chartered banks created credit, I agree with the minister that, there would be some confusion.

● (5:10 p.m.)

We are asking to transfer the creation of credit from the chartered banks to the Bank of Canada; the chartered banks would lose that right and the Bank of Canada alone would have it; the chartered banks would no longer be entitled to multiply by 12.5 their reserve in hand and the Bank of Canada alone would have the right to create new credit. If during a year, the Bank of Canada instead of chartered banks creates some credit amounting to \$1,669 million will that increase the money supply by a single cent? No, because instead of having been created by the chartered banks, credit will have been created by the Bank of Canada. And this will not increase the money supply, the money circulation or the credit by one single cent, whether it comes from the chartered banks or the Bank of Canada.

I have here one glass and two jugs of water, one belonging to the Bank of Canada and the other to the chartered banks. Whether I fill the glass with water from the Bank of Canada or water from the chartered banks, I will still have the same amount of

[Mr. Grégoire.]

water in the glass. Well, the situation is exactly the same in the monetary field, whether the new credit comes from the chartered banks or from the Bank of Canada. If the Bank of Canada were to put into circulation or create the same amount that would be created by the chartered banks, that would not cause inflation nor increase further the credit in circulation nor the money supply.

The government refuses squarely to print a single bank note; it merely wishes to create new credit. It will not allow it, it wants to leave to the chartered banks, as before, the privilege of creating credit. Let that privilege be granted exclusively to the Bank of Canada. Would it not be advantageous for the whole country to have the Bank of Canada create new credit instead of the chartered banks?

Mr. Chairman, with that explanation, with that specific qualification I have just given again to the minister, could he answer my question? After the last explanation to the effect that it is not necessary to use the money press, that the chartered banks did not use it, the fact still remains that, in 1965, they created \$1,669 million of new credit, as can be seen in the annual Statistical Summary of the Bank of Canada. Then, what would prevent the Bank of Canada from assuming that credit function, instead of the chartered banks?

As I said yesterday, the chartered banks create the new credit. The minister said so himself in an answer which I have quoted on many instances and which I quote again. As stated on page 3012 of the Minutes of Proceedings and Evidence No. 43 of the standing committee on finance, trade and economic affairs, he said:

The system used to create credit is well known. The banks grant loans.

Therefore, when the banks lend money they create credit; it is as simple as that. The minister summarized it in a clear sentence, and I congratulate him for having so well defined the creation of credit, as he did in the committee on finance, trade and economic affairs.

Well, if chartered banks are now creating credit, granting loans with interest and accepting deposits on which afterwards they have to pay some interest, then could the Bank of Canada instead of chartered banks not create that credit, make interest-free loans to public bodies, municipalities and school boards, for the construction of roads, bridges, schools, etc. Then, individuals would receive wages or would be paid for materials with money lent interest-free by the Bank of