

Private Bills

oriented people and we want another bank. What is wrong with having 100 or even 1,000 banks? Are there any Members of Parliament who say that we have too many?

We have the same situation with gasoline outlets in every community. One outlet is a total necessity. You cannot run any motor vehicle without a gasoline outlet. It may even make sense for each major company to have an outlet in a community. In the small town where I live, most major companies have three outlets. There is no possibility whatsoever of each of them making money. Many are not being operated as service stations. Competition does not exist. The price of gasoline in my area is five cents or six cents more per gallon because the gallonage distributed in that area is so low. Service stations cannot afford to have a reasonable staff and pay their overhead. They regularly go broke. Some service stations perpetually have a "for lease" sign on them. With 1,000 banks in Canada, we could reach the point where many of their buildings would have vacancy signs on them. If members agree that 1,000 banks would be too many, then how many should we have?

To date there is no evidence to show that the number of banks we presently have is not sufficient to meet the needs of the Canadian public or that any additional banks, no matter for what purpose, operated under the Bank Act would serve any purpose that is not being served by the chartered banks now in existence. They have a very high proficiency. For many years they have provided good service to the depositors and others involved with those institutions.

[*Translation*]

Mr. Roland Godin (Portneuf): Mr. Speaker, the House is now considering Bill S-22 "An Act to incorporate United Bank of Canada" which was introduced in the Senate. The preamble of this bill reads as follows:

Whereas the persons hereinafter named have by their petition prayed that it be enacted as hereinafter set forth, and it is expedient to grant the prayer of the petition:—

Section 2 of the bill provides that:

The persons named in section 1 shall be the provisional directors of the Bank.

Mr. Speaker, the perusal of certain documents which we have received concerning this bill would lead us to believe that the establishment of this bank as provided by Bill S-22 would be the implementation of one of the most humanitarian programs.

Actually, the persons whose names appear in the bill have attempted to explain to us by other documents that they wish to operate the bank in an area which lacks appropriate banking services.

That may be so, Mr. Speaker. It is possible that the new bank will serve minority groups. Even then, however, I cannot ignore the fact that this bank would operate according to the provisions of Bills C-190 and C-222 which have been passed by this House thanks to the support of Liberal members who, as is the case today, were in power in March 1967.

Since business transactions in this country indicate that less than 10 per cent of banking operations are carried out with money released by the Bank of Canada, that is coins and bank notes, we have to conclude that the new bank which might open its doors if Bill S-22 were adopted

would operate in the same manner as other chartered banks in Canada which means that it will have the authority to extend credit. If that bank receives, for example, bank notes that the saver was keeping at home, it will be able to use it to create further deposits in the form of loans. Considering that banks need to keep on hand only a certain amount of bills, roughly 7 per cent of their assets, they will be able to use the rest, keeping at the same time a statutory reserve, to create currency.

• (5:30 p.m.)

Mr. Speaker, I imagine that all hon. members know quite well that banks may not lend their deposits but that they can use coin and paper currency committed to them to create more credit by increasing their statutory reserve. This is what is called multiplication of credit pursuant to the federal act which allows them to do so. Under the authority presently granted to them the banks determine the amount of money in circulation in our country.

When a bank grants a loan, either to a contractor, to a businessman or a government, new financial credit is born. The banker writes down the amount of the loan granted in the account of the borrower as if he had deposited that amount. The borrower neither brought it in nor deposited it because he came to the bank to get money he did not have. The borrower may draw cheques on that account that he did not have when he went in but that he did have when he went out.

No other account of any other client of the bank has been reduced. So it is an account added to those already there.

It is correct to say that without any danger to the depositors banks can in this way create 16.6 times more currency. The chartered banks do not print bank notes but they open accounts and create new credit that they use to make loans as if they had saved the amounts of such loans.

This creation of credit can total up to 16.6 times the initial amount. The present federal act authorizes banks to issue, for example, \$1,666 in the form of new credit provided that they increase their statutory reserve by \$100.

A person makes a \$100 deposit in his savings account. The bank will be able to issue, under the form of credit, as many \$100 as there are \$6 in the \$100 savings. In short, that boils down to the fact that every year, the chartered bank can get an interest of 9 per cent on \$1,666, namely \$160, whereas it had at the outset only \$100 as savings deposit.

You will agree with me that, when it comes to yield on an investment output, one can hardly find anything better.

By enabling the people whose names appear in section 1 of the bill, namely Messrs. Isadore Levinter and Benjamin Victor Levinter, barristers, as well as Mr. Zenon Gutkowski, chartered accountant of Toronto, and Mr. Adiuto John Pianosi, executive, of the town of Copper Cliff, in the district of Sudbury, to establish a bank, we are granting them a very special privilege, I think. Five years ago, one might have said they struck a gold mine. But as the price of gold is unsteady at the present time and as extracting it means hard work, the power that will be