

Canadian Economy

[English]

Cong. Wright Patman asked Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System,

"... The U.S. Bonds (\$20,000,000,000) the banks hold today—they created the money to buy those bonds, did they not?" And Mr. Eccles replied, "The banking system as a whole creates the (bank) deposits as (at the time) they make loans and investments, whether they buy Government bonds, or whether they buy utility bonds, or whether they make farmers' loans."

Lord Inchcape had the following to say:

A State may be made low just as effectively by wrong ideas as by an invading army. There is no agent of destruction known to chemists that is half as formidable as the T.N.T. of bad economics.

[Translation]

When I hear the Minister of Finance (Mr. Macdonald) refer to scholarly and influential economists, he should read what Lord Inchcape thought about the TNT, the wrong economic theories of present economists.

[English]

"When it is remembered that kings and governments have, throughout the ages, insisted with jealous care on their prerogative of issuing money and controlling currency within their jurisdiction, it is somewhat strange to find modern States accepting as axiomatic a limitation of their sovereignty in the sphere of money, so far-reaching in its effects on their powers and on the daily lives of their citizens, as is involved in their agreeing to conform in all circumstances to a standard of value over which they have no control." —Sir Basil Blackett, Director of the Bank of England.

"I have two great enemies; the Southern Army in front of me and the financial institutions in the rear. Of the two, the one in the rear is my greatest foe." —Abraham Lincoln.

[Translation]

And, Mr. Speaker, I hope I will have enough time to get those many quotations on the record. I will get back to that in a few moments, but now I would like to refer to a book dealing with political economy. Some members believe that the members of the Social Credit party or the supporters of the Social Credit are certainly taking their stand on erroneous theories. I have here the manual of political economy used at Carleton University in Ottawa to teach students attending this university.

The authors of this book are three economists named Lipsey, Sparks and Steiner. It is not a book which was used in 1900, but it is still in use in 1975. Here is what is found in Chapter 36, page 611 of this book:

And it is comforting to note that everything suggested by the Social Crediters in the House concerning the creation of credit is fully confirmed by these three economists, and I would like to ask my hon. colleagues of this House to refer to this book so as to learn something about economics and politics. I would like the Minister of Finance (Mr. Macdonald) to do the same. For instance, as is stated on page 612, these economists say about the nine Canadian banks that the Royal Bank of Canada has assets of \$12,959 million, the Canadian Imperial Bank of Commerce \$11,400 million, the Bank of Montreal \$10,165 million, the Bank of Nova Scotia \$7.85 million, the Toronto-Dominion Bank \$6,549 million, the Bank Canadian National \$2,281 million, the Provincial Bank of Canada \$1,416 million, the Mercantile Bank \$288 million, the Bank of British Columbia \$178 million. It all adds up to assets of \$53 billion for nine banks, which means that over an average of 50 years, these

[Mr. Rondeau.]

Canadian banks, with a subscribed capital of something less than \$10 million, have multiplied their assets by 7,500. The nine Canadian banks have transformed deposits into an asset which means that with the \$10 million invested, they now have more than \$75 billion in 1975, and \$53 billion when these figures were given by the economists.

Mr. Speaker, it is interesting to note that the banks have boosted their assets to \$75 billion from a beginning of \$10 million, and this figure of \$75 million represents the whole national debt including the bonds of the federal government, the bonds of provincial governments, municipal bonds, school bonds and individual bonds. All these are part of the banking assets, and because of our outdated monetary policy, we print bonds, we mortgage the assets of our country and sell them to the banks which pay us with cheques drawn on the credits created by themselves from nothing, and these credits created from nothing are written off as debts due by the various government or public institutions of the country. We always have to pay taxes towards the interests on these debts which are due to the sacred financial institutions every 10 years under the renewal of the charter of banks by the federal government, which has created the greatest of all Canadian monopolies, the monopoly of bank credit, which is the absolute and unchallenged master of all other monopolies. I would like to refer to page 614 of *Political Economy* under the title "The Creation and the Destruction of Money". When the Prime Minister told us today that he must borrow money at a rate of 9¼ per cent, from whom does he borrow this money? He borrows it from banking institutions. Economists are now admitting what we have always said:

● (2100)

[English]

The ability of the banking system to create money is based on the fact that at any moment of time most of the banks' depositors do not require their deposits to be redeemed in currency. Just as the goldsmiths discovered that only a fraction of the gold they held was demanded, and just as banks discovered that only a fraction of convertible bank notes were actually converted, so too many banks have discovered that only a fraction of their deposits would be withdrawn in currency at any one time. Most of the deposits stay within the banking system. Even if I withdraw \$3,000 to buy a new car, the chances are great that the car dealer will deposit my cheque in his account, and the banking system as a whole will have merely transferred deposits from one depositor to another. Here lies the secret of the mystery and the magic of the banks' ability to create money while they make money.

[Translation]

Mr. Speaker, it is that racket, that legalized racket that Social Crediters denounce. They want the Bank of Canada to create credit out of the Canadian wealth and when the federal government issues obligations, it is the Bank of Canada which should grant interest free loans on these obligations to the federal government. And that is the biggest rip-off, the biggest legalized racket. When there is talk of monopolies in this House, only small monopolies come under fire. But the monopoly of credit which is the master of all monopolies goes untouched, and it is that monopoly, Mr. Speaker, that we Social Crediters want to touch. I would have a lot of other very interesting papers to quote from those economists.

[English]

The banking system in Canada consists of nine chartered banks. The five largest account for 92 per cent of total bank assets and each of them has more than 700 branches.