entries in books they did get something for nothing. Mark you, we are not paying back any bonds. Canada will owe billions for bonds, and I am looking to the day when we shall be called upon to pay the capital back on our loans. But what I am pointing out now is this awful burden of interest that is eating us up and costing the taxpayer so much, and which is quite unnecessary in so far as the government of Canada is concerned, because it is given the power to create new money, but it passes that power over as a blessed privilege and monopoly to the private banks.

One more point and I am through. The minister might point out that under the present system, if he had borrowed that $782,000,000 from the Bank of Canada instead of from the chartered banks, on top of the $192,000,000 he did borrow, the chartered banks would have had the privilege, because we would have created that much new money, that much new credit of the Bank of Canada, of multiplying that twenty times. They only have to have 5 per cent, and if they had done that, the spiral of inflation would have run away. The minister borrowed $192,000,000, and instead of the lid coming off, it did not even quiver. The bankers knew better than to take advantage of that privilege and did not take it. All the minister has to do is to pass a statute overnight requiring the Bank of Canada not to lend what they have not got to the government of Canada but only to lend by bookkeeping entries or to extend credit and create new money in so far as the Minister of Finance or the board of governors of the Bank of Canada permit them to do. I do not think that would shake in the slightest degree the foundations of the profitable business which the chartered banks of this country have been enjoying.

Let me ask the Minister of Finance not to invite me this year to feel ashamed because, after blaming me last year for discussing the government's financial policy, he said that I was directly against the financial policy of the government. I do not agree with him in that. I believe that I am enunciating the policy of the Liberal party as laid down by the Prime Minister and in our platform, when the Prime Minister said that public credit should be issued according to public needs, that that was Canada's duty and the policy of the Liberal party. So that if anybody is going to cross the floor, I would have to ask the minister to cross the floor because, when we depart from that policy, we are departing from Liberalism. I say that we should use the Bank of Canada for the legitimate purposes for which it has been created.

Next year is the end of the ten-year period when the Bank Act will be up for revision. It is too late to amend the act this year, and we cannot do it fairly by order in council, but I do press on the minister and his advisers that we wake up next year and put upon the statute books a control of the use of credit and new moneys and put that control back where it belongs, under the guidance of the Bank of Canada, the treasury board and the Minister of Finance.

Mr. ILSLEY: Mr. Chairman, I would like the committee to bear with me for a few minutes while I prepare to answer some of the statements made by the hon. member for Parry Sound. In the first place he took one of the items in the estimates, an item for the payment of interest, and showed that for 1943-44 it is $36,000,000 more than for 1942-43, and he stated, which was the fact, that in the past year we borrowed some $782,000,000 from the chartered banks and said that, if we had borrowed that money from the Bank of Canada, that is from ourselves, we would have made an interest saving of something like $30,000,000. The rate of interest on the borrowing from the chartered banks is not between 3 and 4 per cent, as that statement would indicate. The average rate of interest paid on the borrowing from the chartered banks is nearer 1 per cent. I cannot say exactly what it is, but I know that on all our deposit certificates we pay three-fourths of one per cent. That constitutes a very large part of our borrowings from the chartered banks; and the rate of interest on treasury bills is less than half of one per cent. So that eight or nine million dollars would be very much closer to the savings which we would make in interest if we borrowed from the Bank of Canada instead of from the chartered banks. It may be said that that saving of eight or nine million dollars is worth while and that we should adopt the system of borrowing from the Bank of Canada in order to effect that saving. The reason why we borrow from the chartered banks instead of from the Bank of Canada except to a very limited degree is, as I have said on several occasions, that borrowing from the Bank of Canada is many times as inflationary as borrowing from the chartered banks.

My hon. friend read from a statement which I made to *Maclean's* magazine. I tell him that the statement is badly worded; that the words used tend to give a wrong impression, and certainly I never intended to say on that or any other occasion that borrowing from the chartered banks is as inflationary as borrow-