

Bank of Canada Act

each credit union is autonomous while the large chartered banks all have ties with a central office.

● (8:10 p.m.)

As for the question of the parliamentary secretary to the Minister of Finance, I shall be glad to inquire from the officials of the "caisses populaires" and to let him know the answer before consideration of the bill concerning the Bank of Canada. But I believe that the question of the parliamentary secretary is intended only to get attention away from this, while my own question was very precise.

Even if the "caisses populaires" held a federal charter, the question would be the same and I ask again the Minister of Finance: Why leave to private institutions the responsibility of creating credit and of getting interest from it, when the Bank of Canada could create the same credit and lend it with no interest, for public development, meaning the development of such public services as roads, bridges, schools, universities, colleges, post offices, etc? That is what we want. We want the Bank of Canada to create the yearly increases in credit now created by chartered banks. We do not want this to be left in the hands of private institutions for we do not believe it is the responsibility of private institutions—whether they are called "caisses populaires" or otherwise—to make Canada's credit bear fruit, for that credit is generated by the work and the production of the Canadian people as a whole and not by the work of a banking institution.

That is why I ask the Minister of Finance to tell us why the government does not legislate to permit the Bank of Canada to create credit in behalf of the people, Canadian people, instead of leaving that privilege in the hands of private institutions, which use it in their own private interests.

I do hope that the Minister of Finance will answer this question.

[*English*]

Mr. Sharp: Mr. Chairman, both during the committee and recently I have been doing my best to explain to the hon. member for Lapointe how the present monetary system works. As I said during the committee, Mr. Chairman, though of course I benefited greatly from my discussions with the hon. member, I have apparently not progressed very far with his education.

May I try to answer as simply as I can the question put by the hon. member. There is no

[*Mr. Grégoire.*]

particular magic in the system of financial institutions that we have in this country. They exist throughout the world and they operate on very much the same principles everywhere. If I may say again to my hon. friend, they exist notwithstanding the blandishments of Social Credit theory. Indeed, nowhere in the world do I know of any country that has succumbed to the allurements put before us by my hon. friend.

Mr. Bell (Saint John-Albert): Russia.

Mr. Sharp: No, not even in the Soviet union has the Social Credit system been accepted, and neither has it in any free country that I know of.

I made a number of statements in the committee which when I look at them, I only regret because they have given my hon. friend an opportunity to make another speech; but on the whole I still defend them as being reasonable. Although it is true that one way in which credit is created in the banking system is the one I have described, it is still nevertheless the fact that banks, like any institution, must borrow in order to lend. A bank borrows in various ways. It borrows to provide resources to people like the members of this parliament who from time to time I am sure go to a bank to borrow money. In order to provide those resources the banks have to pay interest on the deposits, or on a large part of them. Even where they do not pay interest a certain cost is involved in providing the resources to the borrower.

Let me say this to my hon. friend the hon. member for Lapointe. When a bank lends money the borrower may obtain a loan which he deposits in the bank, but this is only the first step. In order to retain that deposit the bank must persuade the depositor to maintain his deposit with the bank. After all, if my hon. friend from Lapointe goes to a bank and borrows money he does not leave it on deposit, but uses it. People who have money might like to deposit it in a bank, but they will do so only providing the bank gives them some return on it. So that these are not costless deposits.

If the hon. member were to look at the financial return of any chartered bank he would see on one side the assets and on the other side the liabilities. Then there will be a balancing item to cover the capital and the surplus. It would certainly be a new system—and perhaps this is what the hon. member is thinking about—if the banks were able to handle this process on a costless basis, as the hon. members seems to suggest they can.