which the Social Credit group has taken over the years, namely, that the Bank of Canada can be put to a much more useful purpose than it is today; that it is not necessary for the administration to go into debt to meet the difference between the total purchasing power of the nation and the production of goods, and the price tags on those goods, produced by the same people in the same period of time. This is what I have in mind in putting these quotations on the record.

I have an extract here from the *U.S. News and World Report,* this time by Mr. William McChesney Martin Jr. who is the chairman of the federal reserve board of the United States. It says—and again I read it in question and answer form as it appears:

Q. Well, how do you create money?

A. The simplest answer, probably, is to say that we can issue currency—federal reserve notes—so long as we have the gold backing for them that we talked about earlier, and since we can do that, we can of course issue our cheque—which is simply more convenient, in most cases. Now, to get that currency or cheque out into the economy, we can purchase government securities. The payment we make for them, whether in currency or by cheque, gets the money out.

Q. The Federal Reserve banks can give cheques on themselves?

A. Yes. If someone sells us a government security, he takes the cheque we give him in payment and puts it in his bank, adding to his bank account. His bank forwards the cheque to the Federal Reserve bank and has the amount credited to the reserve account it maintains with the Federal Reserve bank. So our purchase of the government security has put "new money" into the economy —created dollars, so to speak.

Q. But there is a difference about the dollars you create.

A. Yes, in economic impact, though not in form or appearance. These are "high powered" dollars that we create, because, under our fractional-reserve banking system and at the present level of reserve requirements, for each dollar that is created by us in that way there can be an expansion of bank credit by about six times that amount, roughly. So that $1 billion of federal reserve credit created by our action permits bank credit to expand as much as $6 billion, as a theoretical maximum, though the expansion in fact may be much less.

Q. You mean that the banks can loan that much additional?

A. Yes, $6 billion more than they could have loaned before we created that $1 billion.

Mr. Chairman, there is another authoritative source upon which we rely for our stand in Social Credit concerning these monetary matters. I noticed an article in the Bay street *Journal* of October, 1962. This was written by a commentator reflecting on statements by one Mr. Krug, who says:

Money comes into existence when banks make loans. In order to explain this method of creating money, he continues, "Let us suppose that you require $10,000 to finance a business deal and that you borrow the money from the bank".

Mr. Martin (Essex East): That is Mr. Krug from Windsor?

Mr. Leboe: That is the Bay street *Journal.*

Mr. Martin (Essex East): But it is Mr. Krug from Windsor?

Mr. Leboe: Yes, it is quoting a commentary on Mr. Krug's article. The article continues:

"In negotiating the loan, you give your bank an interest-bearing $10,000 note and then the bank credits your bank account with $10,000. Later, as you issue cheques against your bank account, the cheques will be deposited in other people's bank accounts.

"It is readily apparent that the $10,000 loan results in bank deposits (or the money supply) increasing by $10,000. It should also be observed that when the money supply increases by $10,000, that an interest-bearing debt of $10,000 has also been created... In reality, everyone who borrows from a bank becomes his own private mint and is able to issue money by his ability to command credit at the bank".

Mr. Laing: Mr. Chairman, would the hon. member permit a question?

Mr. Leboe: Certainly.

Mr. Laing: Could the hon. member relate these rock candy mountain principles to what Premier Bennett of British Columbia did last year when he sold $20 million of federal and provincial bonds out of the pension scheme and put in their place $20 million of his own demand notes as an asset?

Mr. Leboe: I am sorry, Mr. Chairman, but I have not the information the hon. member requires on any specific incident that anyone elsewhere has performed in working within the orthodoxy of present day financing. What I am speaking about is a change in our thinking from the financing of production to the financing of consumption through the use of the Bank of Canada, thereby creating a domestic market for our goods and a better standard of living for our Canadian people.

The Chairman: Order. I am sorry to interrupt the hon. member, but his time has expired.

Mr. Chevrier: Mr. Chairman, I listened carefully to the statement which the Minister of Finance made when he introduced the subject of this debate, and I have read his statement on more than one occasion. I believe I can say without hesitation that the conduct and the actions, as well as the record of the government, are fantastic. We all remember that during the election campaign of 1958 the Prime Minister went about the country and boasted of the tax reductions which had been made in the fall of 1957. But after the elections, in 1959, when the votes were in, taxes were increased by more than $350 million.

In 1962 we have a similar approach by the government to mislead the voters once again.