

Bank of Canada Act

Mr. Grégoire: Then the law specifies the proportion of 12 to 1?

Mr. Sharp: A minimum proportion.

So, the minister concedes, in answer to the first question, that in making loans banks are creating credit. The answer to the second question is that whenever banks create credit, they need but one dollar in order to create \$12.50. The answer to the third question, which can be found on page 3000 of No. 43 of the Minutes of Proceedings and Evidence, is that the minister is happy to see that there is not much money in circulation and that the people have to borrow from the chartered banks and finance companies; banks are then creating a credit of \$12.50 whereas they have but one dollar, even with nothing, and are earning big interests and large profits by lending money that does not exist.

On the basis of those three answers from the hon. minister, I should like to ask him: What is binding this government, as previous governments were also bound, to chartered banks in such a way as to grant them the exclusive privilege of getting rich at the expense of the Canadian people?

Why does not the Minister of Finance want to change such a system, as he said so clearly in answer to a question I put to him, when he stated that it was the best system in his opinion and that there was no need for another one?

Well, what is the minister waiting for in order to amend this legislation and entrust the Bank of Canada with the privilege of creating credit instead of leaving it into the hands of the chartered banks? Why is the minister so keen about leaving such a privilege into the hands of the chartered banks? What links does the Minister of Finance have with the chartered banks? What ties has the government with those chartered banks? How can the chartered banks have a stranglehold on the government and hinder the Minister of Finance from passing legislation of benefit to the Canadian people rather than to the chartered banks?

This is the question I was asking before the adjournment of the house at seven o'clock tonight, and I would like the Minister of Finance to give me an accurate reply, because my question is based on three statements which are reproduced in the proceedings and evidence of the committee, and were made in reply to my query. I would therefore ask the minister to answer this very definite question.

Mr. Chrétien: Mr. Chairman, would the hon. member for Lapointe (Mr. Grégoire)

allow me a question before he gets a reply to his?

Mr. Grégoire: Certainly.

Mr. Chrétien: Would the hon. member explain to the house why it is that for instance, while the Minister of Finance has repeatedly claimed that he would like to see more competition in the field of banking, many banks setting up business in Canada, why it is that credit unions, whose business is akin to banking, should not have been interested in obtaining charters, as their request would obviously have been looked upon with favour by the present government?

Mr. Grégoire: Mr. Chairman, I do not believe that question relates to mine in any way. Only this afternoon I quoted a question of mine and the reply the minister gave me, both of which can be found on page 3030 of No. 44 of the report. I quote:

Mr. Grégoire: Can the trust companies and the savings banks do the same kind of operations?

Mr. Sharp: I doubt it very much.

The minister doubts it very much. Well, we do not doubt it. The minister knows full well that the credit unions cannot create credit by loaning money. Credit unions loan what they have while chartered banks can create credit.

Mr. Chrétien: Why do they refuse to become banks? We have suggested to them that they become banks but they are not interested. If it is so advantageous, why do they not become chartered banks?

Mr. Grégoire: Mr. Chairman, I have not discussed the matter with the interested parties, that is credit union officials, but I have always heard that credit unions are co-operative undertakings and not business or commercial banks. They are co-operative companies whose purpose is to channel the savings of their depositors toward specific goals. The credit unions operate with Quebec charters and not federal charters, and therein lies the difference. Were they to ask for federal charters, they would have to stop being co-operative companies governed by co-operative rules, in order to submit to the rules provided for the chartered banks, and that is not at all why they were founded. There are all kinds of banking institutions. Credit unions were not founded to deal in commercial or banking operations but rather to become co-operative companies. Moreover,