

*Continental Bank of Canada*

That is why we continue to claim that anything to do with money is a jurisdiction of the central government, of the Parliament of Canada, and I feel it is normal that we should insist on this because it is becoming an ever more topical question—Canadians are increasingly interested in this—and because politicians sometimes infer that any province can legislate in this area and this must be accepted by all Canadians. This procedure to obtain a charter is always in force. It has not changed since the 1871 legislation was passed. However, the process of incorporation of a bank is long and complicated. That does not mean that it is a complicated, incomprehensible thing. It is people who complicate it to keep as many Canadians as possible away from knowing about bank operations.

The founding members of a commercial bank must introduce a petition to the Canadian Parliament to obtain a charter. This is the first step. The minimum required capital stock is \$1 million. Each share must have a par value of \$1 or a multiple of \$1, up to \$10. There must be at least five temporary directors, and each one must hold a given number of shares in his own name. The bill as it now stands contained a provision, amended later and agreed to by the Standing Committee on Finance, Trade and Economic Affairs.

After the charter has been granted, which requires a special act of the federal government, the shares of the bank are issued. We are discussing the special act of Parliament, Parliament is exercising its power, its authority, and it is good to consider whether it is really to the advantage of Canada to have a new chartered bank. Is it true this will stimulate competition? Will Canadians be better served? Will interest rates go down? Will governments be able to get loans at better conditions and at lower interest rates than now? Parliament must give special attention to all those points. For me, if I judge by the information I have and the research I have done, when many years ago, in 1924, Canada had 13 banks and 8,081 branches, competition was not greater than it is now.

Chartered banks have an association called the Canadian Bankers Association and are subject to the same laws since there is no special law for the Canadian Bank of Commerce nor any special one for the Bank of Montreal. The same law applies to all banks, all of them must work the same way, just as the caisses populaires in the province of Quebec are subject to a particular law which is their own. Individually, each caisse works under that law, with the difference that each one is autonomous, and through its directors may set up its own regulation for its own place, but for their whole operations all of them must necessarily abide by some general legislation which applies to all credit unions. Therefore it is the same thing for chartered banks.

Mr. Speaker, section 72 of the Bank Act, which every Canadian should know, would make anyone understand that when we suggest that banks have the power to generate money, to create money, that is true. It should be understood that money is modern quite simply because it is a matter of accountancy.

[Mr. Lambert (Bellechasse).]

Chartered banks which hold a legal reserve under section 72 have the authority, on the basis of a fractional reserve, to create a deposit to lend money to a customer, whether an individual, a company or a government, and when the borrower refunds the money borrowed, they simply cancel the creation of money. The credit which had been granted is based on the real value and is turned into money in a modern way I support because it is much faster. In this way, the possibility of a theft of banknotes is more remote because there are fewer banknotes in circulation. These are clerical entries. They both add and subtract to and from my account by way of entries writing and the payment transfer is made.

The whole difficulty lies in section 72. This is what prevents me from accepting the fact that with a new bank we will contribute to establish more competition and that Canadians will be better served at the level of this institution called the monetary system. I doubt it, I do not believe it at all!

If IAC was able to make good profits in the lending business during 50 years, and if it wants to become a chartered bank today, it is not to lose money but to make more. I gather that those people are serious. They are honest and competent and they know where they are going. If they want to get a charter to create a bank to invest their capital, it is with a view to making more profits, it is because they take into account the competition of chartered banks; but they do not work on equal terms because IAC is not entitled, under the legislation which applies to it, to create, monetize the country's credit, the citizens' credit as banks are entitled to do.

I am shocked when I hear people tell the public: this is a complicated thing, it is impossible to understand, endure it as it is and shut up! In short, this is what it means. As we were told this afternoon by the Minister of State for Urban Affairs (Mr. Ouellet), whom I highly appreciate and who is a good friend of mine: What you propose has never been done elsewhere. That is the classical answer. Yesterday, his colleague the Minister of National Health and Welfare (Mr. Lalonde) informed us about a new plan, a new service for Canadians. He took the trouble to specify that it is new, unique in Canada, that it has never been seen anywhere in the world. I commend him and the government for taking that action. It means that when you want you do not have to ape everybody else, ever waiting for others to act so you can imitate them.

Under these circumstances, I am glad when I see Canadians have enough initiative, enough courage to do something, to pass measures that are not taken in the rest of the world. That means we are really clever people who can do something on their own. We can do that. I think I told the House about the fact that it is a Canadian who invented the system we know now, the telephone system, and Graham Bell did not imitate anyone. He did not say to himself: Chinese did not do that, Russians did not do that, Americans did not do that. He did some research. He found out that it was possible with two pieces of wire—he even started with one piece of wire and the ground. It was called the ground telephone system because communication was established with only one length of wire while the other touched the ground. It has been improved ever