

Bank of Canada Act

If a depositor keeps \$1,000 in his savings account for a month, and that at the end of that month, he has only \$200 left for one, two or three days, it is only the lowest amount that will bear interest.

Mr. Caouette: That is probably why the Minister of Finance has no savings account.

Mr. Grégoire: Not only that, but the federal government maintains,—and I would like to be able to give the correct figure, I could provide it tomorrow, because it is scandalous,—deposits that amount to approximately \$300 million.

Mr. Tremblay: No, it is \$100 million.

Mr. Grégoire: It would be \$100 million according to the hon. member for Matapédia-Matane. I am quite ready to accept that for tonight. However, I will check that answer in the proceedings of the standing committee on finance, trade and economic affairs; anyway, the government keeps, generally speaking and on the average, deposits of the order of \$100 million on which the chartered banks do not pay any interest. There are at least \$100 million deposited in chartered banks accounts by the federal government, by the Minister of Finance, and on which no interest is paid. The interest would represent \$3 million—

Mr. Tremblay: Would the hon. member permit me a question?

Mr. Grégoire: Certainly.

Mr. Tremblay: In the statement he made a moment ago concerning the amount that could be created by the Bank of Canada instead of by the chartered banks, he probably forgot the effect that this reserve could create by the issuing of new money by the Bank of Canada, issuing which would absorb yearly \$1,669 million in Canada government bonds and which would enable the chartered banks to create considerable inflation.

Mr. Grégoire: Mr. Chairman, the day when only the Bank of Canada has the right to create credit, the chartered banks will no longer be able to multiply by 12.5 the money, like the reserves, as they do now. Then, the chartered banks will cease to be in a position to contribute to the increase of credit and will not be able to create inflation. Now, it is claimed that the Bank of Canada can absorb part of those \$1,669 million. How can it? In 30 years of existence, it has accumulated

[Mr. Grégoire.]

only three billion dollars' worth of bonds. That is, about \$100 million a year. That is nothing compared to the \$1,669 million of credit created outright by the chartered banks in 1965. There is the difference. As the hon. member for Matapédia-Matane (Mr. Tremblay) said, the cash reserves must be taken into account. But let us not forget that in 1966, in September 1966, the money supply was \$18,850 million. That means reserves of \$1,650 million that is 8.08 or 8.1 per cent. This would mean that the chartered banks, with \$1,524 million, were allowed to create, over the years, the sum of \$18,858 million, which represents the present debt of Canada.

If we have a debt now in Canada, it is reflected, virtually cent for cent, in the creation of credit carried on over the years by the chartered banks. The day we take this privilege to create credit away from the chartered banks, we will have put a stop to Canada's indebtedness because the government will have found a new source of revenue other than taxes and loans, since it, rather than the chartered banks, will create credit, neither more, nor less, but let us say exactly the same amount per year than the chartered banks create.

It is not a matter of putting the money press to work but of doing exactly what the chartered banks are doing, what the Bank of Canada will have to do after getting the authorization of parliament to give back to the Canadian people a real degree of control over credit. Then all the public bodies in Canada would have benefited in 1965 from an interest-free credit increase of \$1,669 million.

Mr. Chairman, there is a difference. And that is the question I put earlier to the Minister of Finance and Receiver General. And he answered me by asking me: Do you think the chartered banks should charge interest? I say yes. But on the money they already have on deposit and not on the money they create. That is the difference. Not on the increase in credit which is created by the chartered banks. That is what I am against, Mr. Chairman. The increase in credit, in the money in circulation in Canada does not belong to the chartered banks but to the Canadian people as a whole. If the chartered banks can increase credit it is because the people of Canada have worked hard to produce more; that increase in production is represented by an increase in credit.