

carrying out their present policies, to issue loans or make investments to the extent of \$6,577,000,000. I cannot go into the details in the time at my disposal, but to-day the banks have loans within Canada to individuals and corporations and investments in Canadian securities to the extent of \$2,470,000,000, which means that if we kept one year's production of gold in Canada and issued Bank of Canada notes on a two to one basis instead of the four to one permitted by law, the banks could issue almost twice as much credit again as they have issued to date.

The suggestion may be made. If that capital is available, why the difficulty? As a Liberal I am particularly interested in this because I believe our policy was that we regarded credit as a public matter, not of interest to banks alone but of direct concern to the average citizen: we believed that credit should be controlled in the interests of the people and not solely in that of private bankers' profits. As the trouble to-day is lack of capital or credit to those wishing to develop our resources, and the banks to-day have the power to provide capital to the extent of a further four billions of dollars, are we controlling it in the interests of the country, or are we allowing the banks to continue to control credit in the interests of their own private profit? I ask that question, and I do not attempt to answer it but leave it to hon. members. But I do say this, that at the time the Bank of Canada was set up, it was believed that the powers given to the Bank of Canada, viz: power to re-discount and to conduct open market operations would enable it to control credit. I am satisfied all honestly believed that we were taking full control over the credit policy of this country when we gave the Bank of Canada those powers when setting it up. If it has not worked that way, I submit it is the duty of our party, pledged to control credit, to study the problem and take further powers of control so that we do control the credit of this country.

Our government has been trying to follow a policy of credit expansion. I just wish to give the figures to indicate that this policy has not succeeded in controlling the credit of the country by causing that credit to expand. We followed an easy money policy designed to increase the amount of credit available for the development of the dominion. We increased our Bank of Canada notes and deposits of chartered banks with the Bank of Canada, taking the daily average for September, 1935, and for September 1938, to this extent: The average amount of bank deposits in the Bank of Canada and Bank of

Canada notes held by the chartered banks which were the liquid reserves of the banking system in September, 1935, was \$219,971,000. By our easy money policy, trying to force credit out to develop this country, we increased that to an average, in September, 1938, of \$262,766,000, an increase of \$42,795,000 in the liquid cash reserves of the banking system of this country. Was that reflected in an increase in loans to business institutions and the public, as it was designed to be and as it should have been if we had control over the credit of this dominion? It was not. In loans to corporations and individuals in Canada there was an actual decrease of \$26,784,000 in those three years, although the population was increasing and the need for expansion existed. The banks did not increase their loans to the public, although we did our best by means of the Bank of Canada, operating in the way provided, to force them to do so. After the recess I intend to indicate why that was so.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. TUCKER: When the house rose I had just been endeavouring to show that although the policy of the present administration, operating through the Bank of Canada, was an easy money policy designed to increase the amount of credit available to the business institutions and generally the enterprise of the country, by increasing the cash reserves available to the chartered banks of Canada, upon which reserves they might create a larger amount of credit to lend to our business institutions, the result had not been an increase but rather a decrease in the amount of money lent by the chartered banks to our business institutions. I sought to indicate that the policy of stimulating the amount of credit available for our business institutions, through the operations of the Bank of Canada, had not worked during the past three years, and I said that I would show why that was so. Of course, the basic reason is that the only way by which credit can reach the people who need it is through the chartered banks, and the mere fact of giving them adequate reserves is no assurance that they will use those reserves in making loans to the country's business enterprises.

On that point I wish to read from the *Winnipeg Free Press* of January 14, 1939, a statement by Mr. S. G. Dobson, managing director of one of the chartered banks of