

Bank of Canada Act

And when I ask the hon. minister: Why would the Bank of Canada not do this? When they would have created the credit, they would lend it, say, to the federal government to build post offices; to the provinces to build hospitals, colleges, without interest. Oh no—that is not good—nothing doing.

I ask the minister, what is binding the government to the chartered banks? That would be a good question. What is binding your government to the chartered banks? Can you give a real answer? Why do you grant the chartered banks the most potent privilege in the world, the one to create credit, while you would not want the Bank of Canada to exercise the same right, the same privilege that could be used to erect buildings that will be useful to the whole population, to build hospitals, schools, bridges, roads, public works.

Mr. Chairman, it is seven o'clock. I am giving the minister the dinner hour to answer this question. I shall ask it again, Mr. Minister. I see you are busy with your deputy minister, I do not know with whom. But before we adjourn, Mr. Minister, I am giving you until eight o'clock. I hope that you will reply to this question: Why is your government not ready to give the Bank of Canada that privilege which you give the chartered banks so that the Bank of Canada may lend without interest to the institutions that will be doing so much good to the people of Quebec, our hospitals, our colleges, our universities?

Mr. Minister, you have one hour to prepare an answer for us. Why could the Bank of Canada not have the same privilege which the chartered banks have now? Until eight o'clock, Mr. Chairman.

[English]

The Chairman: It is my duty pursuant to standing order 39A, to inform the house that the questions to be raised at ten o'clock this day are as follows: the hon. member for Villeneuve (Mr. Caouette), public buildings—demolition of former printing bureau; the hon. member for Vancouver-Kingsway (Mrs. MacInnis), old age assistance—British Columbia—denial to old age pensioners of provincial supplement.

The committee will resume its sitting at eight o'clock.

SITTING SUSPENDED

[Mr. Grégoire.]

• (8:00 p.m.)

SITTING RESUMED

The committee resumed at 8 p.m.

[Translation]

Mr. Grégoire: Mr. Chairman, when the house adjourned at seven o'clock I had directed a question to the Minister of Finance (Mr. Sharp), and I had asked him to reply after supper. I see him coming in, Mr. Chairman. Then, I should like to ask him the question once again and give him an opportunity to answer it. This is the question and it arises from replies given by the Minister of Finance before the finance, trade and economic affairs committee.

On page 3012 of Minutes of Proceedings and Evidence No. 43, the Minister of Finance replied this way to a question of mine:

The process of credit creation is a familiar one. The banks make loans.

This is the minister's first answer.

When I asked him if he was satisfied with the volume of money supply in Canada, he answered:

Our system would not work very well if this were not so, and I am, therefore, not concerned that there is a great volume of credit being used.

Therefore, the minister is satisfied that the people have to borrow a great deal. And he added:

This is, I think, normal. It is healthy and, indeed, unless there continues to be a rising volume of bank credit, then we would have good reasons to be concerned about the future of Canada.

But when credit increases, it is because the banks have created money, and the minister admitted it in his first answer which I quoted a moment ago:

The system used for creating credit is well known. The banks make loans.

In what proportion do the banks make loans? The answer is on page 3029 of Minutes of Proceedings and Evidence No. 44, where the minister says:

Mr. Sharp: When the Bank of Canada puts cash into the hands of the banks, they are under great pressure to find some means of increasing their liabilities, so I hope that when the bank is increasing the money supply, the banks respond by making more loans and otherwise increasing the volume of money and demand in the economy. This is the purpose. Similarly, when the Bank of Canada contracts the money supply, the banks then have to withdraw in order to retain a legal ratio between their cash and their liabilities.

Mr. Grégoire: In a proportion of 12 to 1?

Mr. Sharp: Yes. The banks have their own ideas of what is the proper proportion; the law specifies the minimum.