

Bank of Canada Act

created by the Bank of Canada and lent interest-free, in the public sector.

What would be the result of this in concrete terms? To take a concrete example, suppose there is an increase of \$1,669 million, as happened last year—what happens under the present system? The chartered banks are the ones who create the credit—I have no need to prove that, since the hon. Minister of Finance admitted it in the committee on finance, trade and economic affairs—which is raised by \$1,669 million, representing merely the increase and not the part existing already.

Thus the chartered banks create this credit of \$1,669 million. They lend it to the federal government, the provincial government, municipalities, or school boards. The banks do not pay interest when they create and lend this sum. However, they charge 6 per cent interest when they lend the money to a government or an individual. The latter return the deposit to the banks, who pay them 3 per cent interest. And this is how one proceeds under the present system.

If there was a system such as the one which we are advocating, the Bank of Canada would create the increase, the credit of \$1,669 million which makes up the annual increase over the previous year. The Bank of Canada would grant interest-free loans to Quebec City, Toronto or Winnipeg either for the construction of hospitals, roads or bridges and, I repeat, they would be interest-free loans.

If for instance an amount of \$10 million were allocated for the construction of a hospital, this construction would entail the payment of wages and the purchase of materials. Then, those who would receive the wages, those who were paid for building materials would obtain that money and deposit it in the bank, as it is usually done, and the bank would pay them 3 per cent interest and afterwards would lend it again in the private sector at 6 per cent interest.

The difference is that the money in circulation would have entered interest free into the public sector to develop public investments and would come back afterwards in the private sector.

● (9:40 p.m.)

The difference also is that the bank would have the money on deposit before lending it while at the present time, it lends the money without having it on deposit. It has nothing at all; it lends at a 6 per cent interest charge and its loan is again deposited in the chartered banks system at 3 per cent interest.

Under a system such as the one which we are advocating, when some new credit is created, it is created by the Bank of Canada and lent interest free to finance public undertakings and I insist on the word public—such as the construction of bridges, highways, colleges, hospitals, sewers, waterworks, etc.

Those who receive that money afterwards, as wages or as payment for their material, deposit it in the chartered banks, and receive 3 per cent. Then, these banks lend 3 per cent. Then, these banks again lend this money to the private sector at 6 per cent. The difference between the existing system and the one we are advocating is that all public sectors have taken advantage of interest-free loans for public projects instead of private works. If one wants to know what it can mean at any given time, well, the member for Villeneuve spoke about it a while ago, when he said that if this had existed in Canada in the last 50 years, the \$1,274 million required to pay interest on today's debt could be used to administer the country. What does this represent? The combined total of family allowances and old age pensions.

Municipalities having to pay interests representing 30, 35 and 45 per cent of their budget would have 30, 35 and 45 per cent more at their disposal in their budget to carry out work projects. And there lies the difference between the existing system and the one we are advocating.

Mr. Caouette: Would the hon. member permit a question?

Mr. Grégoire: Yes, certainly.

Mr. Caouette: Does the hon. member not think that when he says, for instance, that banks are paying a 3 per cent interest, that it is only on savings accounts? Banks do not pay 3 per cent on current accounts. Now, current accounts are far more numerous and far larger than savings accounts. Then, does not the hon. member think that savings accounts earning a 3 per cent interest constitute in turn a new reserve for the chartered banks under the system of the Minister of Finance and that such a new reserve allows them to multiply again by twelve and a half the amount they can lend through the use of such savings accounts as reserves in the Bank of Canada?

Mr. Grégoire: Mr. Chairman, I agree with the hon. member for Villeneuve when he says that chartered banks do not always pay interest on current accounts, and that on savings accounts, they pay 3 per cent, on the lowest amount deposited during the month.