

you borrow it by an overdraft to a broker, or by the use of a credit standing to some depositor who may go through the form of purchasing a bond, what the government is actually paying interest for are bookkeeping entries which convert the credit value of the government bond into a monetized credit that can be transferred in any amount by the use of a cheque. You do not borrow money, and have not borrowed money for probably thirty or forty years to finance government. My proposition to you is based upon war time experience. A government can escape the obligation to pay interest and to collect taxes from its people by establishing a national banking system.

I would change, under my system, the levy of taxes for the purpose of maintaining government to that of maintaining a proper and correct volume of credit and purchasing power in national currency, purchasing power in circulation. If you have got the two points that I make, the correlation of the power of the government to issue with the power of the government to withdraw from circulation the purchasing power in the channels of the social system, then you will see that the proposal is one to eliminate taxes in the sense that we now know. That is the most sweeping and fundamental change that has ever been proposed in our social system, because it makes the power of the government in the matter of the creation of governmental spending power unlimited. In addition to that, it places the government in a position whereby it can maintain the circulation of purchasing power. It does more than that: It places the government in the position where it can eliminate confiscatory taxation. It does more than that: It places the government in charge of the social system and the government is superior to the banking system. Now, to-day what you do is this: You are sitting in this committee room proposing to pass a Bank Act which will establish a control over the nation's credit in a subsidiary corporation that actually makes that corporation superior to the government.

Q. I get your point there Mr. McGeer; I am quite in agreement with you there, that the bank should be government controlled in all instances, but the mere ownership by the government of a banking institution, or any institution whatsoever, will not in itself effect the cure we desire, that is my point. I want the difference in policy, not a matter of administration, because all that we are doing if we go from a private corporation to the public, we have only altered the method of administration, we have not altered the policy, and what I want to get at is the essential difference in policy between what you propose and what is now being done.—A. Well, you have got that.

Q. If that is your answer that is fine. Then I understand that in the technique that you propose—I may be wrong in my understanding of this—first, that you would not continue the checking system so far as the government issuance of credit or monetizing of credit is concerned, but you would, on the contrary, issue or monetize credit in the form of currency, is that right?—A. No, I never made any such suggestion. I said that I would issue copper coins and currency in exactly the same form that they are issued to-day through the national Mint, that the national bank would set up exactly the same technique of creating credits and issuing cheques that the private banking system adopts to-day, and that that checking facility would be available to the government and to any individual that wanted to use the national bank.

Mr. IRVINE: That is a point on which I probably misunderstood you.

The CHAIRMAN: Does anybody else want to ask Mr. McGeer any further question?

The WITNESS: Might I just explain one point, Mr. Chairman?

*By Mr. Hackett:*

Q. I have a question or two that I would like to ask, Mr. McGeer, and I ask them with some trepidation because you have been described as the "redoubtable" Mr. McGeer. I suppose you have been maligned by the newspapers

[Mr. G. G. McGeer]