

Bank Act

announces that the liquidity or bank reserve will be decreased from 8 to 7 per cent, which means that the banks will have the privilege, under this provision, to multiply $14\frac{1}{2}$ times their reserves with the Bank of Canada.

Therefore, instead of improving the situation, the Minister of Finance is in the process of giving them greater and more devastating control, if you want, of our national economy. Then, the government will have to go and borrow from those private institutions. As I indicated the other day, during the budget speech, the government issues bonds that the chartered banks could buy and multiply $12\frac{1}{2}$ times. Now they will have the privilege to multiply them $14\frac{1}{2}$ times.

Why does the government not take the responsibility, through the Bank of Canada, to multiply the credit necessary for the development of the Canadian economy and the elaboration of a system which will allow every Canadian to live decently in a country such as ours?

Mr. Chairman, some cabinet members are undoubtedly interested in the passage of a proposal such as this. There probably are some bank directors among the ministers. There are some among the members of the house and among the senators. It goes without saying that the Canadian people will not be surprised to see what the Minister of Finance is now proposing, namely to give to some individuals complete power over distribution or control of the economic blood of the nation, that is credit and money.

Mr. Chairman, the management of chartered banks are afraid of Social Credit, but I do not think there is any ground for such a fear. Unlike the socialists who advocate nationalization of chartered banks, Social Credit does not want to nationalize them but only to require that they have 100 per cent reserves to guarantee their loans and that all new credit issued be created by the Bank of Canada and issued to the public through the construction of roads or public buildings, the financing of federal, provincial and municipal administrations, school boards, and others.

By using the credit issued by the Bank of Canada, people will make deposits in chartered banks, and that will enable them to keep on making loans, probably as much as they are now doing. But instead of lending a monetary creation, they will lend something that they have in hand, something that they own in their institutions. Then, they will be able to charge interest to their

[Mr. Caouette.]

borrowers. We are not the least opposed to that.

We do not object either to having the rate of interest, for those who must have bank credit, set through competition and offers of service.

Mr. Chairman, the Cr ditistes strongly object to reducing the liquidity from 8 to 7 per cent. Furthermore, we object to the chartered banks continuing to exploit the Canadian people. That is why we are right when we say that the Government should use the facilities of the Bank of Canada.

Today, in every western country, and particularly in the United States, renowned economists, sociologists and businessmen suggest that governments should immediately bring about changes in their financial system. Otherwise, the United States will head into a depression worse than the one it experienced from 1929 to 1939.

However, one may ask what will result from the application of such a system, a Social Credit system, instead of a social indebtedness system which the Minister of Finance would like us to approve through this measure?

The Cr ditistes know that the essential source of financial credit in Canada rests—and I insist upon the word “rests”—in the Canadian capacity to produce. That is the essential source of financial credit in Canada. Therefore, any new credit issued must derive from a central bank, namely the Bank of Canada.

Therefore when plans for public expenditures are brought down before the house, the members need not worry whether these plans are financially possible, whether the government has the money required and whether it is possible to milk further the hard-pressed taxpayers. The Minister of Finance need not worry unduly about that or rack his brain; he will be able to understand more easily that the economic objectives of a country are based on satisfying the needs of its citizens. Members will ask simply if the required expenses will meet real needs, if they are physically possible, if Canada has the required workers, brains and materials. In this connection I have no doubt that the Minister of Finance fully agrees with me that we have the workers. But, we also have some unemployed in the country, and even though the Minister is boasting about Canadian prosperity, we have people who are receiving welfare allowances nowadays. The Minister of Finance is telling us that this