

Bank of Canada Act

the Canadians, when making savings available for investment, would place them in the development of our natural resources, our secondary industries, and not invest as they now do in the debt of the country. They would rather invest their savings in the development of Canada.

However, it would be necessary for the public sector to dispose of another source of money, and in our opinion, this source should be the Bank of Canada.

According to the minister, the government can only find money from two sources, either through taxation or by borrowing and if it borrows money by issuing bonds, it has to pay back interest. Well, I say to the minister that there is another source of revenue, the new credit created every year and representing this country's development.

The new credit created every year by the banks. We saw this afternoon that the Minister of Finance agreed that credit is created by chartered banks when they make loans. What does that mean and how much does it represent per year? I should like to refer to statistics from the Bank of Canada Statistical Review. The figures I shall quote are taken from the October 1966 issue. The minister may have a more recent edition than mine, but I think this one will suit the purpose I have in mind.

Let us refer, for instance, to page 661 of the October 1966 issue. In the minister's edition, it would be at the very beginning, on page 3 or 4 of the statistical review, or rather on page 4, right after the Bank of Canada reports and before the chartered banks reports. The title is Chartered Banks Monthly Series. It is at the very beginning of the Bank of Canada statistical review.

One finds, for instance, that in 1964 the money supply reached \$15,598 million, made up of the cash reserves of chartered banks, \$1,263 million, and deposits in Canadian dollars, \$15,598 million or on the whole, an average coefficient of 8.1 per cent in cash reserves.

The following year, the same money supply was increased to \$17,186 million. That means, then, that during the course of the year, \$2,588 million of credit was created, since the money supply for the previous year was \$15,598 million. The next year, it was \$17,186 million—so there was then an increase, in that single year 1964-1965, of \$1,588 million. All this credit was created by the chartered banks of Canada.

[Mr. Grégoire.]

Well, what we would like, is that such a difference, such an increase, such an extension of credit be created by the Bank of Canada rather than by the chartered banks. Those \$15,598 million are in circulation, that is a fact; they are in the area of the chartered banks; that sum may be loaned by the banks and bear interest; we are quite ready to admit it.

The following year, when credit is expanded by \$1,588 million, such an increase should be created by the Bank of Canada and not by the chartered banks. Not necessarily the entire \$17,186 million of 1965, but simply the \$1,588 million which should be created by the Bank of Canada to be added to the \$15,598 million which was in existence the previous year.

It is the increase and only the increase we would have created by the Bank of Canada and have such increase interest free, because when the chartered banks create it, at the time the chartered banks create such an increase, they will not be required to pay interest to anybody. They lend and the people to whom they lend have to pay the interest. On such an increase, the chartered banks will not be required to pay interest to anyone. It is new money they have created and not money held on deposit, on which they are not required to pay interest to anyone and it is that increase which in 1965 represented compared to 1964, the sum of \$1,588 million which could have been created by the Bank of Canada and loaned without interest for the public sector.

Now, let us consider the other year. In September 1966, the last month for which I have statistics, the money supply had increased then to \$18,855 million. At the same time, the year before, it stood at \$17,186 million. In 1966, that money supply of \$17,186 million could be lent by the chartered banks, on interest. This money is already on the market. But since the money supply, at least by September 1966, had increased to \$1,869 million and reached \$18,855 million, this new increase, corresponding to the development of the country, should be created by the Bank of Canada and lent interest-free to municipalities, school boards and the provinces.

The following year, the money will have reached \$18,855 million, and again the increase in the money supply, not that which is already in circulation at the beginning of the year, but that which is produced during the year, and which is being created at the present time by the chartered banks, should be