

Bank of Canada Act

Mr. Caouette: No, indeed not. I agree with the hon. member on that point. If the hon. member lends me \$10 and I pay him back \$10.50, that is quite normal. But if chartered banks are authorized, under the act, to create \$12 million for every million of bonds issued by the government and to charge interest, in that case, we are against that interest and the currency created.

When one lends something to someone who does not have it, and the latter refunds one with interest, it is quite normal. We are not against interest on that which exists, no, but we are against interest on created credit; and interest is precisely the nightmare of the government.

This year, Mr. Chairman, we shall pay over \$1,215 million in interest on the government debt only, which has never been anything but a simple national debt. The interest on the national debt will amount to \$1,215 million this year. Why has the federal government not used that money? The situation is very clear. The proof is that the national debt amounts to \$26 billion and the total money in circulation in the country does not even reach \$20 billion at the present time.

This year the amount of \$1,274 million will be appropriated for the federal government debt charges only, apart from the debts of the provinces, municipalities and school boards. Now the amount of \$1,274 million represents in interest alone, more than one ninth of the total national budget. The budget will reach what amount? About \$9 billion?

Mr. Trudeau: But to whom is this interest paid? I would very much like to know.

Mr. Caouette: To those who have created Canada's debt, that is to the chartered banks. For the information of the hon. member for Mount Royal (Mr. Trudeau), I shall say this: each time a Canadian boy, a Canadian worker buys Government bonds, 85 per cent of such bonds go into the hands of the Canadian chartered banks as collateral for loans granted by the same banks. Where is the control of the Canadian debt? Into the hands of the chartered banks of Canada and not into those of the Bank of Canada. We owe nothing to the Bank of Canada, and yet, it is our own institution, however, we are of course indebted to the Canadian and American banking systems.

Mr. Chairman, all this is to say that we are in possession of all the required means—and

[Mr. Trudeau.]

I am calling on the Liberals as well as on the Conservatives—

• (8:40 p.m.)

[English]

Mr. Sharp: Mr. Chairman, might I ask the hon. gentleman a question. I am sure he wishes to be factually correct.

Mr. Caouette: Yes.

Mr. Sharp: I wonder whether he had referred to the figures before he gave his estimate of 85 per cent of the public debt being in the hands of the chartered banks, because I have here the latest summary for February 1967 of the Bank of Canada. I am referring to pages 107 and 108, and it shows that out of the total of \$21,290 million outstanding, \$4,116 million is in the hands of the chartered banks.

[Translation]

Mr. Caouette: Precisely. That is what the hon. minister knows indirectly. That is the amount controlled by the chartered banks which granted loans to the minister directly.

However, I myself have seen businessmen from Montreal deposit \$1,700,000 of the central government bonds in the Canadian National Bank in Montreal as a collateral to secure a bank credit. Does this mean that the bonds belong to the borrower or the chartered bank? And the minister knows this.

[English]

Mr. Sharp: The borrower.

[Translation]

Mr. Caouette: That is right. That part is controlled by chartered banks, and is not included in the \$4 billion just mentioned by the minister. That is a different matter.

I mean to say that all those people who bought up to 85 per cent of bonds were forced to deposit them as a guarantee in chartered banks—

Mr. Chrétien: Mr. Chairman, for the benefit of the hon. member for Villeneuve (Mr. Caouette) those bonds are not listed under the liabilities of the bank but are kept in reserve simply as collateral; they do not appear under the liabilities of the bank or on its balance sheet.

Mr. Trudeau: What about the bank's balance sheet?

Mr. Caouette: It does not figure in there.

Mr. Chrétien: Instead of keeping their bonds in a drawer at home, they hand them over to the banker.