

Bank of Canada Act

In other words, I was asking the minister why it is that, with all kinds of goods already produced, the people should still have to borrow to purchase them?

This is the reply I received from the minister:

Mr. Chairman, the whole of our society is built on the foundation of credit. I am not at all happy that there is as much consumer credit in existence as there is, but every transaction in production nowadays involves some credit. Our system would not work very well if this were not so and I am, therefore, not concerned that there is a great volume of credit being used. This is, I think, normal. It is healthy and, indeed, unless there continues to be a rising volume of bank credit, then we would have good reason to be concerned about the future of Canada.

Mr. Chairman, this answer involves many things. The minister finds that healthy; he refers to the increase of the credit load of banks. He says it is logical that our society should be based on such a system, which he finds normal, and he wants this bank credit to continue to increase.

Now, Mr. Chairman, I should like to draw a parallel with another answer by the Minister of Finance, this time to the hon. member for Compton-Frontenac (Mr. Latulippe), as reported at page 3012 of the same report:

The process of credit creation is a familiar one.

You will note, Mr. Chairman, that in his first answer the Minister of Finance thought that this credit increase was normal and healthy.

In his reply to the hon. member for Compton-Frontenac, the minister explained how credit was created and he told us:

The process of credit creation is a familiar one. The banks make loans. The proceeds are left on deposit with the banks. They become part of the money supply. That is one way in which they are created. It is a familiar method.

The process of credit creation, I repeat it, because it is very important. It is the minister's answer as found on page 3012 of Minutes of Proceedings No. 43 and I repeat it:

The process of credit creation is a familiar one. The banks make loans.

The method used to create credit is simple: the banks make loans and when they do they create credit.

And I continue:

The proceeds are left on deposit with the banks. They become part of the money supply. That is one way in which they are created.

Thus credit is created. The chartered banks create credit. To create means to make something out of nothing.

[Mr. Grégoire.]

That explanation has never changed; otherwise it is manufacturing. But to create is to make something out of nothing. The Minister of Finance admits that the chartered banks can create credit, as shown in the text on page 3012 in an answer which cannot be clearer:

The process of credit creation is a familiar one. The banks make loans.

It is as clear as daylight, Mr. Chairman.

[Translation]

Mr. Sharp: Mr. Chairman, may I draw attention to both the English and French versions of the proceedings. I know my hon. friend wants to be fair to me, as I was so fair to him in these comments that I made in French I said:

That is one way in which it is created.

[English]

In English I said:

That is one way in which they are created.

Mr. Grégoire: Would the minister repeat that, please?

Mr. Sharp: "That is one way in which they are created."

[Translation]

Mr. Grégoire: I think that the meaning is almost the same. This is one way to create it.

[English]

"This is one way to create it."

Mr. Sharp: My hon. friend implied that I said that was the only way.

• (6:50 p.m.)

[Translation]

Mr. Grégoire: Mr. Chairman, if I return to the minister's statement and read it again, this is what I find:

The process of credit creation is a familiar one.

The process of credit creation is a familiar one.

The banks make loans.

That is how credit is created. Therefore, the banks create credit.

The minister answered elsewhere:

Our system would not work very well if this were not so and I am, therefore, not concerned that there is a great volume of credit being used.

The banks create credit. They are the ones to benefit from the credit created, and the minister tells us that "our system would not work very well if this were not so", if there were not a great volume of credit.