Before raising interest rates and wages, it is necessay to adjust the purchasing power so that every dependent citizen who has no revenue either from work or from investments may be assured of the necessities of life.

Before allowing any increase in investment income or in salaries, our government must first adjust family allowances and all the other personal allowances of the Canadian people. Those who have no income, either from their capital or from their work, also have a right to live and to a measure of security.

When the Bank of Canada was created in 1934, chartered banks lost the privilege they had to print their own bank-notes. In fact, they had to withdraw them from circulation at the rate of 10 per cent per year. Banknotes are now printed by the Bank of Canada which took that responsibility upon itself. We are also proud that our rulers have taken their responsibilities and created such a bank. That institution was supposed to render great services to the people, but it fulfils only half its duty. But the banks maintained their privilege of creating credit money when making loans or purchasing bonds, subject however, to certain legal restrictions, such as keeping reserves of at least 5 per cent of their deposits and respecting the then 7 per cent interest ceiling.

• (5:50 p.m.)

With the 1944 revision of the Bank Act, the interest ceiling was lowered to 6 per cent and, furthermore, banks could not pay dividends higher than 8 per cent on their shares. They were permitted to continue making secret, tax-free, internal reserves which were undeclared to the shareholders, the public and the government in their annual reports.

When the Bank Act, that is finance, was revised in 1954, the ceiling on the interest rate was maintained at 6 per cent, but the 8 per cent ceiling on bank shares was removed. Today, banks are paying dividends at a rate between 20 and 30 per cent. The Royal Bank is paying a quarterly dividend of 75 cents, or \$3 per year for a \$10 share. The Bank of Montreal, on the other hand, has been paying quarterly dividends of 55 cents, plus a special dividend of 17½ cents, for a total of \$2.37½ for a \$10 share, a yield of 23.75 per cent.

When the government applies a ceiling on interest rates and dividends paid by the banks, it must be for sound reasons, for serious motives, and not on a sudden impulse.

The same thing applies to bank reserves where the 5 per cent rate was increased to 8 per cent; it is now suggested to lower it to 7 per cent. Of course, the effects of such changes, which may appear unimportant to the public or to the layman in matters of national economy and monetary science, are either good or bad—rather bad—when one first considers that the rights of citizens should take precedence over the rights of the wealthy, learned and powerful people governing and managing the big institutions of Canada.

Why, Mr. Chairman, has the 8 per cent ceiling on bank share dividends been lowered? Why lower today the 6 per cent ceiling on bank credit? I would appreciate it if the minister would answer those questions in due course or when he has an opportunity to do so.

For instance, when the Bank of Canada was created in 1934, its interest rate on treasury bills and on loans to chartered banks was set at 2 per cent. That rate remained unchanged from 1934 until 1956, or through a period of depression, a period of war and a period of prosperity.

But in 1956, the government ends its fiscal year with a big surplus following small annual surpluses. It was rather nice to see the federal government ending its operations with a surplus, because that does not happen very often, Mr. Chairman. Then, there was talk of inflation, unemployment and steps were taken to correct the deficit policy deemed better for the country's development.

The Bank of Canada started on its own behalf to manipulate the interest rates to follow the wonderful stability it had achieved, maintained and practiced since its creation 20 years before.

The Bank of Canada rate jumped from 1.5 per cent to 6.41 per cent the same year and the federal government bonds, following the famous conversion of war bonds worth \$6,400 million, were renewed at 4 and 5 per cent interest instead of 2.5 and 3 per cent, which rates had been in force since the war.

Mr. Chairman, once again the poor people, the poor taxpayers paid for that and that was allowed to benefit the financial institutions.

That is where the decision of the Bank of Canada to remove the ceiling and its failure to mind its own business led us. The fact that it started to manipulate interest rates of all kinds enabled the highest financial institution to take over the control of a great number of