

I hope that the government in this revision of the Bank Act will take account of the data that I have placed on Hansard indicating who are in control of our financial and commercial institutions, and will take whatever steps may be necessary to give representation to the general public, that they may take part in directing the financial policy of Canada.

Mr. H. E. SPENCER (Battle River): Before this bill receives second reading I would like in a few words to indicate something of its importance. The two previous speakers have outlined very clearly to the house the tremendous hold on our whole financial machinery of a small group of men through interlocking directorates. I think from the information already given to the house one can readily see that, when all is said and done, unless the government is very strong indeed and is prepared to take a very definite stand in the interests of the public it will in all probability play second fiddle in comparison with the enormous power of organized finance. The issue of money in Canada is a government prerogative, but we must recognize at present our money, although comprising coin and currency is to the extent of 96 per cent simply a matter of bookkeeping; and that the control of this credit has practically been turned over to the banking fraternity, which can create money in large volume by making loans and can take money out of existence in large volume through the cancellation of loans. Therefore we can see the power they have in increasing or decreasing prices and to that extent affecting the entire economic life of the country. Under the Bank Act the banks have certain definite privileges given them. They have for instance the privilege of making money to the extent of issuing in the form of notes an amount equal to their paid up capital. Also for six months in the year they can issue an additional amount equal to 15 per cent of their paid up capital and reserve. They have also the privilege under the Finance Act of taking a variety of securities to the treasury board depositing them as collateral, and getting dominion notes for a certain charge. These dominion notes can either be put into circulation or they can be kept in the bank's safes as most of them are, in the shape of large legals to be used in settling balances between themselves. Or if they wish, they can take these dominion notes and deposit them in the central gold reserve in lieu of gold and issue their own notes or promises to pay against them. These are the definite privileges given to the banks as far as putting

money into circulation is concerned. but there is nothing said in the Bank Act, as far as I can find, with regard to putting money into circulation other than by those three methods. We know, however, that a great deal more of so-called money is put into circulation, largely by the extension of credit by the banks, secured on the assets of their clients, which means new money written into existence. I have in my hand a statement showing the total amount of all money, that is notes and subsidiary coin, in Canada on December 31, 1933. It amounts to \$349,594,078. At the same time there was on deposit in the banks of Canada, \$2,242,222,079. Deducting the total cash from the total deposits leaves a difference of \$1,892,628,001. Now if any one is caught increasing the amount of money in existence by counterfeit note or turning out fictitious coin, he is severely punished. But at the same time we find that banks are allowed by the issue of credit against collateral to increase the amount of money, up to nine or ten times the amount of the actual ordinary money in existence. I can find nothing in the Bank Act that gives them this privilege. They have just taken it and been allowed to carry it on.

But although in most cases the money thus written into existence is only bookkeeping entries, at the same time interest is charged to the clients of the bank for it just as if the bank had lent actual money belonging to the bank. The credit that is extended really belongs to the individual or the community but borrowers have to pay interest on it just as if it were money belonging to someone else. The banks really are credit agencies, and the sooner we recognize that fact the easier it will be to understand our financial system. I have before me a brief statement by a very eminent banker who is often quoted in this house, in support of the statement I just made. Right Hon. Reginald McKenna said:

The amount of financial credit in circulation in any country depends entirely upon the actions of its bankers in creating and issuing it and in retiring and destroying it.

Mr. McKenna is one of the great bankers of the world, and he speaks very freely indeed with regard to what is done and what can be done in regard to our monetary system.

Section 75 of the Bank Act, which allows banks to put notes into circulation, makes no reference at all to the development of the credit structure. It is easy to see, therefore, that with the power the banks have of increasing the amount of money in circulation at any time or in other ways bringing on