Unavoidably, those who have money in the bank would hasten to withdraw their deposit. If you had $500, $1,000 or $1,500 in the bank, you would withdraw it. But as concerns the individual who would owe the bank, who would have a note which would become due in three, four or six months, the bank would not be entitled to claim its payment immediately.

When banking operations would stop on July 1, if a note was due on July 5 or 10, the bank having ended its banking operations would not be able to claim the note from the borrower. What would happen then?

What would happen would be very simple: All Canadians with savings would become panic-stricken. They would say: After July 1, since there will no longer be any banking operations, I shall withdraw my savings.

There are supposed to be savings of about $12 billion in bank accounts. When I say $12 billion, I do not take into account the day to day operations, the clearing, or any cheques that might be deposited one day to be withdrawn from another account two days later. Therefore, there would be $12 billion deposited in bank accounts, and the Canadian people as well as companies, panic-stricken due to the fact that banking operations would stop on July 1, would hurry to withdraw their savings.

That is where the situation would become odd. Since there are only $2,300 million in currency and that, out of this amount, banks have only a reserve of about $900 million, it is obvious that when 8 per cent of the depositors would have withdrawn their savings, the other 92 per cent would come up against closed wickets, because there would be no more money in the banks. Such is the situation that would be created.

Since the passing of the Bank Act, in 1934, the federal government committed itself to supply chartered banks with monetary reserves needed to face urgent situations. Then, as soon as 8 per cent of Canadian depositors will have withdrawn their savings in banks, chartered banks, under their chart, would be entitled on July 1 to compel the Canadian government or the Bank of Canada to supply them all with the required reserves in legal currency to refund all depositors besides the first 8 per cent who would like to withdraw their deposits.

What would happen then? The Bank of Canada would have to supply reserves of legal currency to chartered banks. But it would do so by advancing its reserve, by lending to them or gradually paying off the debt of Canada against a remittance of the reserves in legal currency to chartered banks.

In this way the Canadian government would be in a position to pay about 70 or 75 per cent of its debt. We are aware that the debt of the Canadian government is the burden of this government, which has to pay $1 billion and almost $100 million interest on its debt this year. If we could get rid of 70 or 75 per cent of our debt, the government would have in its budget additional liquid assets of about $550 million, since it could pay back about three quarters of its debt.

Now, some will say: Yes, but at this time, since there will be a lot more money in circulation, a lot more currency, it might cause inflation.

To this I shall answer that there would be maybe more legal money in circulation, but the money supply in circulation would not be increased since, instead of having money from credit, we would have legal money. Since banking operations would not be allowed, the chartered banks could not multiply by 11 or 12 the legal money put in circulation by the Bank of Canada, so as to allow the chartered banks to meet the demands of their depositors.

At that time, there would not be any inflation and the depositors would not lose anything since the Bank of Canada would guarantee the deposits.

That is the absurdity of the present banking system; the chartered banks pay high interest rates but the Bank of Canada guarantees the deposits.

Should such a situation arise, the Canadian government would be able to decrease its debt by 75 per cent. That would increase the cash reserves but would not increase the money supply by one cent, because bank credit would be replaced by legal currency and the chartered banks would not have the right to multiply those amounts of money by 12, because there would not be any banking operations, unable to operate the banks, would also be unable to create new credit.

Under such circumstances, who should be pitied? The depositor? No. The depositor cannot lose a penny, because deposits made in chartered banks are guaranteed by the Bank of Canada.

Who would be the loser? Those who borrow from the banks? Not at all. We would only have to delay procedure until after July 1, and a great many people deeply involved in debts would at last be over the hump in their businesses.

You will tell me that someone, on the other end, will lose by it, but who? How many companies are forced to shut down, because the chartered banks stop supplying funds. How many firms go bankrupt because chartered banks too suddenly demand reimbursement of the loans incurred by those companies? Will the borrowers from the chartered