

is most important, as I suggested at the outset, that this house should at the earliest possible moment grapple with the problems presented in the amendments which are already indicated in the bill, and also with the general problem as to whether any further improvement or even possible replacement can be effected in our existing financial machinery for the good of production industry and commerce in this dominion.

May I assure the Minister of Finance that he will have the fullest cooperation in the study of this measure, because from the report I regard it as a major question for the consideration of this house. The private banking system of Canada touches directly the people of the country. A central bank is one step removed from them, but in a banking system equipped to meet the needs of our Canadian people, and particularly of our export trade, we shall find the greatest measure of success in the things we are trying to do in this country.

I yield to no one in my admiration for the way in which our banking system has stood up under the strain, and I also join with many in the view that this does not necessarily prove that the system is perfect at the present time. I take it therefore to be one of our major tasks at this session to give our wholehearted attention to this bill in an endeavour to improve the banking system in every way possible.

I know that the minister will quite readily appreciate the intimation that we are accepting this as a second reading of the bill to renew the bank charters; further than that we do not go at this stage. We do not commit ourselves in connection with the details of the amendments proposed nor with respect to the provisions which are in the act at the present time. We wish to have full scope in the banking and commerce committee to examine the banking situation from stem to stern, if I may use that expression, and to overhaul the financial machinery which plays such an important part in the business of the country. With those reservations I think I can say that those on this side of the house will readily accept the motion.

Mr. G. G. COOTE (Macleod): I do not wish to delay the passage of this measure, which in my opinion is the most important that has been before parliament in the last ten years. I say that because the bulk of the money used in this country is created by the chartered banks. Under the British North America Act, banking, currency, credit and the issuing of paper money are under the jurisdiction of the federal authority. Under

the monetary system which has been set up by legislation in the past there have been up to the present time two money-issuing authorities in Canada—the Department of Finance and the banks incorporated under this act. While the Department of Finance does issue dominion notes and coins, none of these is paid out by them, so far as I am aware, except to the chartered banks. On September 30, 1933, the amount of dominion notes outstanding was \$173,147,000, odd, and gold and specie amounted to \$49,000,000. Any money reaching the public for circulation or for the transaction of business must be put out by the banks, and in addition to the small amount of dominion notes and coins I have mentioned this money is either bank notes or credit. As the total of bank deposits on September 30, 1933, was \$2,260,000,000 odd, it will be readily seen that the banks are the chief issuing bodies; and inasmuch as money is the most important factor in the whole economic system—it is sometimes referred to as the hub of the wheel—it cannot be doubted that this should be considered the most important bill that has been before parliament in the last ten years.

I know that there are many people, including even prominent bankers, who do not admit that the banks create credit money in addition to issuing bank notes. In this regard I should like to quote from a speech delivered by the Secretary of State (Mr. Cahan) in Toronto on November 13, before the Canadian Club. I do so because I think that the hon. gentleman has covered the situation admirably, and perhaps in fewer words than I might use myself. In speaking of this practice of the banks in creating their own deposits, he said:

The result is that, in modern practice, 70 to 80 per cent of the aggregate of all deposits, shown in the Canadian bank returns, represents in reality the amount of loans made by the banks and then outstanding. In consequence bank deposits consist largely of credit money which has been created by the banks. When a loan is repaid by the customer to the bank which made the loan, the deposit created by the loan is wiped out, and the aggregate of all bank deposits is thereby reduced by the sum so paid.

I think it will make it clear if I give the figures as presented by the Secretary of State on that occasion:

September 30, 1933	
Deposits by the public in Canadian chartered banks payable on demand in Canada	\$ 491,000,000
Deposits payable after notice or on a fixed day in Canada	1,372,000,000
Deposits elsewhere than in Canada	296,000,000
Balances due provincial and dominion governments	99,000,000