

November 2nd 1954.

sent R.R. Smith Mr. George A. Morison,
519 East 7th Street,
North Vancouver, B.C.

Dear Mr. Morison:-

I acknowledge receipt of your letter
dated September 21st addressed to our Chairman.

Thanking you for your cooperation,

I remain,

Yours very truly,

AD/lb

ARTHUR DANSEREAU

Joint Secretary.

519 East 7th Street
North Vancouver, B. C.
September 21, 1954.

The Chairman,
Royal Commission of Inquiry
re Constitutional Matters,
c/o Parliament Buildings,
Quebec, P. Q.

Dear Sir:

A manuscript, written in 1949 by a Mr. R. Rogers Smith of Likely, B. C., has come into my hands. Attached is an excerpt from this manuscript. If the facts in the attached are correct, then it would seem that the Rt.-Hon. W. L. Mackenzie King forged the authority of George VI when he signed the "Letters Patent" for Lord Alexander in 1947. It would further seem that this act of Mackenzie King was an act of successful insurrection against the Crown, through which Mackenzie King arrogated to himself and his heirs and successors all the prerogatives of the Crown unhampered by Constitutional restraints extant in Great Britain.

The evidence indicates that the said "Letters Patent" is a device apart, not an Act of Parliament nor an Order-in-Council, but an instrument signed at the whim of Mackenzie King and superior to either an Act of Parliament or an Order-in-Council.

If all the above is correct, then all talk of democracy and the sovereignty of Parliament in Canada is idle and futile. Enclosed is certain material with regard to the "Bank Act", etc. In connection with the study entitled "Recapitulation", etc., the Hon. John T. Haig, Leader of the Opposition in the Canadian Senate, has written me as follows: "I will state your representations." However, if Mr. R. R. Smith is correct, then Mr. Haig's position exists only at the whim of whomever controls the appointment of the Governor-General; and, as a matter of fact, the life and freedom of every Canadian would appear to be at the disposal of the same whim.

Surely the freedom of Canadians cannot be so pitifully vulnerable as the above would indicate. I should be most grateful to you if you would advise me, or if the Secretary of the Commission would advise me, whether or not your investigations have touched on the above-mentioned "Letters Patent" and, if so, whether or not it is likely that your Report will make reference thereto.

Sincerely,


George A. Morison

Excerpt from Manuscript Entitled

"THE SWORD OF DAMOCLES"

"Letters Patent" are by Rogers Smith

The Right Honourables in Canada found themselves facing a dilemma. What to do, was the question. The British North America Act could not be implemented without a Governor. No Lieutenant-Governors could be appointed to the Provinces. No laws could be enacted. No Judge; No Justice of the Peace, no Sheriff could hold office without being appointed by the Governor General or a Lieutenant-Governor. Without consulting the Cabinet, the Parliament, the Provinces or the King, the Right Honourables decided to appoint one themselves. His Majesty, the King, being interested wrote them a letter of inquiry. How could they appoint a Governor General without His Privy Seal? Maxime Raymond, M.P., questioned the Right Honourable Louis St. Laurent regarding this and was told this was a "Top Secret". (Le Devoir, February 19th, 1948.) The reader will understand that if these Right Honourables can appoint a Governor General without consulting the British Government or the King, Canada had severed all connections with what may be called the Commonwealth of Nations. In fact, Canada may become a comet and fly off into space with a Dictator at the helm, and Great Britain would have difficulty in even grabbing a hold of the tail.

In parallel columns on the page next following are reproduced the Constitution of the Government of Canada as granted to Governor James Murray, dated Sept. 21st, 1763. In the opposite column is given the Constitution of Canada, as granted by the Right Honourable William Lyon Mackenzie King to Lord Alexander, dated Sept. 8th, 1947.

Both Chapter 85 "The Governor General's Act" and these

"Letters Patent" are included in the latest publications of the King's Printer, Ottawa. The answer (it is apparent) is that Great Britain does not govern Canada, and Canada does not govern herself.

The "TOP SECRET" of the Right Honourables is to put the clock back to November 21st, 1763, or to create an absolute dictatorship, equivalent to the powers granted to General James Murray, by the Board of Trade and Plantations, after the capitulation of Montreal, November 21st, 1763.

Except to those who know the facts, the following record is incredible.

Drunk with the powers granted them during World War II, they desire to perpetuate their dictatorship. To this end, they decided upon a complete renunciation of Democracy. Without consulting Parliament or the people, the following "LETTERS PATENT" are copied almost word for word from the Credentials granted to General James Murray, first Governor-General of Quebec, by the Board of Trade and Plantations.

For convenience of comparison excerpts are in the following:

If these papers were legalized, it would be a national disaster.

"GEORGE R" (1763)

George III, by the Grace of God, etc.: We have thought fit to constitute, etc., And we do authorize and Impower you to keep and use the Public Seal, which will herewith be delivered to you, or shall hereafter be sent to you, sealing all things whatsoever that shall pass the Seal. And we do hereby give and grant unto you full-power and authority

"GEORGE R" (1947)

George VI, by the Grace of God, etc.: And we do hereby constitute to keep and use our Great Seal of Canada for sealing all things whatsoever that may be passed under the Great Seal of Canada.

IV. And we do further authorize and empower our Governor-General to constitute and appoint, in our name and on our behalf, all such

to constitute and appoint Judges and in cases requisite commissioners of Oyer and Terminer, Justices of Peace, Sheriffs and other necessary Officers and Ministers in the said Province, etc.

(7) And it is our will and pleasure that you do, and are hereby authorized and empowered to suspend and remove any of the Members of the said Council from sitting, voting and assisting therein, and also in like manner to SUSPEND any of Our Lieutenant-Governors of our said Province from the Execution of their commands. And we do hereby command all Officers and Ministers, Civil and Military and all other inhabitants of our said Province to be obedient, aiding and assisting unto you, the said James Murray in the Execution of this Our Commission.

IN WITNESS whereof we have caused these "OUR LETTERS PATENT" to be made patent. Witness ourself at Westminster, the twenty-first day of November, One thousand Seven Hundred and Sixty-three and in the Fourth Year of Our Reign.

By writ of Privy Seal.

YORKE AND YORKE

Judges; Commissioners, Justices of Peace and other necessary Officers (including diplomatic and Consular Officers) and Ministers of Canada, as may be lawfully constituted and appointed by us.

V. And we do further authorize and empower our Governor-General, so far as we lawfully may upon sufficient cause to him appearing, to remove from office or to suspend from the exercise of the same any person exercising any office within Canada under or by virtue of any commission or warrant granted or which may be granted in Our name under Our Authority.

IX. And we hereby require and command all our Officers and Ministers Civil and Military and all other inhabitants of Canada to be obedient, aiding and assisting unto our Governor General, or in the event of his death, incapacity or absence, to such person as may from time to time under the provisions of these Our Letters Patent administer the Governor-General of Canada.

IN WITNESS whereof, we have caused these Our Letters to be made Patent, and for the greater testimony and validity thereof, we have caused our Great Seal of Canada to be affixed to these presents, which we have signed with our Royal Hand.

GIVEN this eighth day of September, in the Year of our Lord, One Thousand Nine Hundred and Forty-Seven and in the eleventh year of our Reign.

By His Majesty's Command,

W. L. Mackenzie King,

Prime Minister of Canada

Note: Evidently the Right Honourables, who are responsible for signing this copy of LETTERS PATENT are preparing for a time when it will not be

necessary to call a Parliament.

There is really no need for an election or the convening of Parliament when the Governor-General has dictatorial powers.

The foregoing is a record of piracy deliberately planned and executed by the Right Honourables upon the Ship of State. When questioned by Maxime Raymond, M.P., the Rt. Hon. Louis St. Laurent stated that: - "This was a TOP SECRET." In other words, sacrosanct. To HELL with such an argument. Are the citizens of Canada not entitled to know the truth about matters of the greatest concern to themselves? What is more important than the source of authority of the Government? What has occurred in the Pilot House is kept as a "Top Secret" from the crew, and anyone divulging this to the passengers is compelled to walk the plank. The Ship of State has weathered many storms, created many engulfing waves, but is now circling in an eddy, going nowhere, without a chart, a pilot or a Flag. Storm signals are being hoisted. War clouds gather upon the horizon. Passing vessels warn us. Thoughtful passengers are greatly concerned. Others basking in ignorance, listen to the stewards who say, "Why worry, the sea is calm." Meanwhile, the pirates make merry. They control the upper deck. No second class passengers allowed here. Over the loud speaker we hear them acclaim the Unity aboard and how they love Canada.

In an editorial the Montreal Gazette said:- "People are weary of half measures, of pussy-footing, of weasel words. They

are weary of confusion in effort, of regimentation without efficiency, and tyranny without strength. They want a Government that says what it means, means what it says and suits action to the word." Since we embarked, the previous owner of the ship of state (Great Britain) relinquished all rights of ownership, and granted a deed of title to the passengers aboard. The United Kingdom recalled the previous captain and said in future "No Department of the Government of the United Kingdom is concerned in any way with the appointment of another". (File No. 624 - 30. Dept. of State for External Affairs.) Without informing the owners, the Officers of the Ship decided to appoint a Captain themselves. How about his papers? Never mind, we'll dress him in a uniform and the first mate will copy the credentials of a previous Captain. If any of the passengers-owners ask questions we will tell them it is a "Top Secret". Look at his uniform! See how he struts the deck. No orders are good aboard this ship unless signed by the Captain. Wait a minute! Was Lord Alexander employed by the Canadian people or their Representatives? No! They were not consulted. The Right Honourable Lyon Mackenzie King copied the credentials of James Murray, which were granted to him Sept. 13, 1763, by the Board of Trade and Plantations. Are these papers called "Letters Patent" a part of the Statute Law of Canada today? They are. Is this an Act of Parliament? No. Is it an Order-in-Council? No. Although an Order-in-Council is equal to an Act of Parliament, this is the first time the whim of a Right Honourable supersedes an Act of Parliament or an Order-in-Council. No longer accredited by the British Government or the King, Lord Alexander can issue an Order-in-Council equal to an Act of Parliament. Without consulting the House of Commons or Senate, without consulting the Citizens of Canada, or the King, these Right Honourables decided to appoint a

Governor-General. If you ask one of these Right Honourables if an Order-in-Council or an Act of the Parliament is good unless signed by this Governor General, they will tell you, "No". "You seem confident that an Order-in-Council drafted by you will be assented to by the Governor General?" "We should be; we appointed him." Then this is your "Top Secret", Mr. St. Laurent. You have appointed a Governor General to do your bidding, without consulting the people or their representatives, and have granted powers to him which put the constitutional position of Canada back two hundred years.

(End of Excerpt)

RECAPITULATION OF LIABILITIES SHOWN ON TYPICAL BANK STATEMENT
APPLYING SECTION 59 of THE BANK ACT
For the purpose of questioning the administration
of the Bank Act; and for the purpose of questioning
the propriety of the Auditors' Report to the Shareholders

by George A. Morison
519 East 7th Street
North Vancouver, B. C.

May 22, 1954.

Distribution to:

The Honourable Members of The Senate
The Members of the House of Commons

THE BANK ACT: Cash Reserves, Section 59 (Abstracted for
application herein):

"The bank shall maintain a reserve.....not less than
five percent of such of its deposit liabilities as are payable
in Canadian dollars...."

GENERAL STATEMENT

(cents omitted)
31st OCTOBER, 1953

LIABILITIES

Capital paid up.....	\$	30,000,000	
Reserve Fund.....		38,000,000	
Dividends Declared and Unpaid.....		921,235	
Balance of Profits, as per Profit and Loss Account.....		843,298	
TOTAL LIABILITIES TO SHAREHOLDERS.....	\$		69,764,533
Notes in circulation.....			16,467
Deposits by and balances due to Dominion Government.....	\$	47,268,954	
Deposits by and balances due to Provincial Governments.....		35,183,973	
Deposits by the public not bearing interest.....		668,848,361	
Deposits by the public bearing interest, including interest accrued to date of statement.....		1,004,482,525	
Deposits by and balances due to other chartered banks in Canada.....		23,729,571	
Deposits by and balances due to banks and banking correspondents elsewhere than in Canada.....		18,933,820	
TOTAL DEPOSITS.....			1,798,447,204
Acceptances and letters of credit outstanding.....			40,191,455
Liabilities to the public not included under the foregoing heads.....			3,396,085
	\$		1,911,815,744

ASSETS

Gold and subsidiary coin held in Canada.....	\$	2,702,737	
Gold and subsidiary coin held elsewhere.....		65,370	
Notes of Bank of Canada.....		31,839,997	
Deposits with Bank of Canada.....		154,497,416	
Notes of and cheques on other banks.....		100,252,926	
Government and bank notes other than Canadian.....		2,526,697	
Deposits with and balances due by other chartered banks in Canada.....		79,853	
Due by banks and banking correspondents elsewhere than in Canada.....		37,956,294	\$ 329,921,290
Dominion Government direct and guaranteed securities maturing within two years, not exceeding market value.....			154,564,622
Other Dominion Government direct and guaranteed securities, not exceeding market value.....			348,102,164
Provincial Government direct and guaranteed securities maturing within two years, not exceeding market value.....			28,719,913
Other Provincial Government direct and guaranteed securities, not exceeding market value.....			14,830,746
Canadian Municipal securities, not exceeding market value.....			23,136,649
Public securities other than Canadian, not exceeding market value.....			57,392,739
Other bonds, debentures and stocks, not exceeding market value.....			65,366,132
Call and short (not exceeding 30 days) loans in Canada on stocks, debentures, bonds and other securities of a sufficient marketable value to cover.....			30,887,602
Call and short (not exceeding 30 days) loans elsewhere than in Canada on stocks, debentures, bonds and other securities of a sufficient marketable value to cover.....			20,698,981
			\$ 1,073,620,838
Current loans and discounts in Canada, not otherwise included, estimated loss provided for.....			708,876,428
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for.....			38,267,816
Loans to Provincial Governments.....			207,905
Loans to Cities, Towns, Municipalities and School Districts.....			20,977,432
Non-current loans, estimated loss provided for.....			411,014
Liabilities of customers under acceptances and letters of credit, as per contra.....			40,191,455
Mortgages on real estate sold by the Bank.....			136,601
Bank Premises at not more than cost, less amounts written off.....			17,938,641
Shares of and loans to controlled companies.....			10,608,915
Other assets not included under the foregoing heads.....			578,699
			\$ 1,911,815,744

Note.—The above statement includes the assets and liabilities of The Canadian Bank of Commerce (California) a subsidiary of this Bank.

JAMES STEWART, President

N. J. McKINNON, General Manager

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the above statement of assets and liabilities as at 31st October, 1953, and compared it with the books at the Head Office and with the certified returns from the branches. We have checked the cash and examined the securities and investments of the Bank at the chief office in Toronto and at certain of the principal branches as at the close of business on 31st October, 1953. We have obtained all the information and explanations that we required, and are of the opinion that the transactions of the Bank which have come under our notice have been within the powers of the Bank, and we report that, in our opinion, the above statement discloses the true condition of the Bank and is as shown by the books of the Bank.

T. A. M. HUTCHISON, F.C.A.
of Peat, Marwick, Mitchell & Co. } AUDITORS
W. L. GORDON, F.C.A.
of Clarkson, Gordon & Co. }

Toronto, 18th November, 1953

RECAPITULATION

GENERAL STATEMENT
(cents omitted)
31st October, 1953

LIABILITIES

1. Liabilities to 100% of face value:

Capital paid up.....	\$30,000,000
Reserve Fund.....	38,000,000
Dividends Declared and Unpaid.....	921,235
Balance of Profits as per P.&L. Acct.....	843,298
Total Liabilities to Shareholders.....	\$69,764,533
Notes in Circulation.....	16,467
Deposits by and balances due to other chartered banks in Canada.....	23,729,571
Deposits by and balances due to banks and banking correspondents elsewhere than in Canada.....	18,933,820
Acceptances and letters of credit outstanding....	40,191,455
Liabilities to the public not included under the foregoing heads.....	3,396,085
TOTAL OF 100% LIABILITIES.....	\$156,031,931

2. Liabilities to 5% of face value as per Section 59 of the Bank Act:

Deposits by and balances due to Dominion Government.....	\$47,268,954
Deposits by and balances due to Provincial Governments.....	35,183,973
Deposits by the public not bearing interest.....	668,848,361
Deposits by the public bearing interest, including interest accrued to date of statement.....	1,004,482,525
FACE VALUE OF 5% LIABILITIES	\$1,755,783,813
TOTAL LIABILITY OF 5% LIABILITIES	87,789,190

TOTAL OF LIABILITIES SHOWN ON GENERAL STATEMENT AFTER APPLICATION OF SECTION 59.....	\$243,821,121
SPECIAL RESERVE (withheld from distribution as dividends, along with Hidden Reserves), for use as Management sees fit.....	1,667,994,623
TOTAL	\$1,911,815,744

From an examination of "Return of the Chartered Banks of Canada, February 27, 1954", issued by the Bank of Canada, it appears that the Canadian Bank of Commerce (whose statement is reproduced on the opposite page) transacts approximately one-seventh of the total banking business in Canada. It is manifestly justifiable to recapitulate almost \$1,668 millions of liabilities

of this typical bank into a Special Reserve on the basis of a 5% reserve-deposit ratio. If we extend our recapitulated Special Reserve figure to include the total of the banking business in Canada, our calculation is 7 x \$1668 millions, or a figure in excess of \$10,000 millions.

From the above recapitulation it would appear that Bank Management as a whole in Canada is withholding in Special Reserves an amount in excess of ten billions of dollars which should be distributed as dividends to shareholders.

According to Subsection 56(8) of the Bank Act, the duties of the Inspector-General are as follows:

"The Inspector.....not less frequently than once in each calendar year, shall make....such examination and inquiry into the affairs or business of each bank as he may deem to be necessary or expedient....for the purposes of satisfying himself that the provisions of this Act having reference to the safety of creditors and shareholders of each such bank are being duly observed --".

The Inspector-General cannot successfully argue that assets to the amount shown are needed to support the deposits because that would imply hypothecation to 100% of deposits and other liabilities, while the only hypothecation required for "deposit liabilities payable in Canadian dollars" is under Section 59 of the Bank Act and that hypothecation consists of a 5% cash reserve. In practice this 5% cash reserve is provided (1) in the form of currency of the Bank of Canada and (2) eligible paper deposited with the Bank of Canada and shown as to total amount only on the Monthly Statement of Assets and Liabilities of the Bank of Canada as Liability Item 4(c).

Management of chartered banks might argue that they need the money recapitulated into the Special Reserve in order to pay interest on deposits. However, according to Section 92(1) of the Bank Act, chartered banks need not pay interest on deposits. It would seem to me that either the Inspector-General or the Auditors should bring this point to the attention of the shareholders.

Incidentally, it is my opinion that, insofar as deposit liabilities payable in Canadian dollars, Subsection 92(2) and Section 135 of the Bank Act, if enforceable, are enforceable only to 5% of such deposit liabilities.

The chartered banks might argue that, although their legal obligation is only 5% of certain deposit liabilities, nevertheless morally they are obliged to the whole amount and so need assets to 100% of the deposit liabilities. That would be a very good argument and should be accepted at face value with the added suggestion that, since the weight of their obligation is so heavy upon them that, no doubt, they would be happier if the legal obligation were raised from 5% to 100% and, further, in case some day there should be a group of bank officers who were not saints, that the hypothecated paper to 100% of the deposits should be held by the Government.

For the prosperity of Canadians, a large amount of the assets represented by the recapitulated "Special Reserve" should be distributed to shareholders; and for the safety of Canadians from such a large concentration of power in so few hands, these unnecessary assets should be distributed or hypothecated. In my opinion, on account of Section 59 of the Bank Act, any Canadian Government is labouring under the following consideration: If the Government should decide on a course of action not concurred in by the management of chartered banks, then the management of chartered banks is in a position to suggest that the controversial policy will create an "uncertain economic climate" and such management might even decide that the "course of wisdom" would be to call in all demand and short term paper, discontinue its ordinary banking business and pay off the bulk of its deposit liabilities at 5¢ on the dollar.

If the organized management of chartered banks argues that it needs this ten billions of dollars in order to carry on business and "to maintain economic climate domestically and internationally", then I would say they are postulating on the sheerest sophistry. I doubt that any spokesman for bank management will claim that bank management is composed of saints. That being the case, it seems a reckless course to encourage such management to have at its disposal, without necessity of reference to any authority, an amount probably in excess of ten billions of dollars, plus title to huge hidden assets "written down" to a ridiculously low figure through the instrument of the "Specific Appropriations Reserve" of the Hidden Reserves, and Section 11(4) of the Income Tax Act.

My expressed opinion, forwarded under date of May 14/54, stands without refutation from the Hon. Minister of Finance or the Inspector-General of Banks that huge assets as mentioned in the last sentence may be acquired by chartered banks and held by them without consideration for Income Tax. These huge hidden assets may be written down through the instrument of Section 11(4) of the Income Tax Act which states: "--there may be deducted in computing the income for a taxation year of a Bank....such an amount as is set aside or reserved for the year....by way of write-down of the value of assets--". This excerpt suggests an obvious and simple write-down each year of the undeclared profits of a chartered bank by the very unorthodox and unreasonable procedure of crediting the assets account and debiting the profit and loss account.

The lack of a straight-forward answer in correspondence between us, and the rather unintelligible treatment of the matter before the Banking & Commerce Committee of the House of Commons, leads me to suspect that the Inspector-General of Banks is supplied with a figure each year entitled "Specific Appropriations Reserve" which he accepts without thorough and energetic investigation. In my opinion, this figure of "Specific Appropriations Reserve" is not a reserve at all, in the ordinary sense, but simply the figure of a journal entry reducing on paper the value of assets and, thus, the taxable income of the bank. If my postulation is correct, then there is no connection from year to year as to increase or decrease of the "Specific Appropriations

Reserve", but rather the figure simply reflects the value of another huge block of assets acquired that year by the bank and thereafter forever hidden and for use and manipulation as bank management sees fit.

Further, it might be argued that, in order that this "dodge", with regard to Income Tax and the acquiring of assets, won't become too widely known and thus hopelessly notorious and unsupportable, this "writing-down" permitted in Section 11(4) of the Income Tax Act is mixed in with the "Specific Appropriations Reserve" of banks on which Section 56(9) of the Bank Act seems to fall and, if so, would be confused with the baleful threat patent in Section 148, "Secrecy" of the Bank Act. In other words, tying in the "writing-down" with Section 148 of the Bank Act might be a dandy way to keep a nasty practice very, very quiet.

The "Specific Appropriations Reserve" of chartered banks is described in "Rules of the Minister of Finance for the Determination of the Inner Reserves of a Bank", tabled on April 8th in the Banking and Commerce Committee. The "Specific Appropriations Reserve", in my opinion, permits to chartered banks the licence patent under Section 11(4) of the Income Tax Act, in the following words: "The Specific Appropriations Reserve of a bank shall consist of amounts.....required to reduce the book values of....assets to estimated realizable values".

Certainly the chartered banks should not have open to them Section 59 of the Bank Act which, in my opinion, allows them to deny full obligation for deposits placed with them; or, alternatively, if it is decided that they should have that denial of obligation open to them, then certainly they should be required to distribute a very large amount of their unnecessary assets as shown in their published statements, as well as their undisclosed assets.

Certainly the chartered banks should not have the privilege of Hidden (Inner) Reserves nor Section 11(4) of the Income Tax Act which permits of licence at which we can only guess, and which, in my submission, say in the plainest words: A chartered bank may reduce its taxable income by reducing "the book values of assets to estimated realizable values", or, in other words, "by way of write-down of value of assets".

Incidentally, I think a "flight of capital" from the country would consist of the ferrying out of the country of "written down" titles to assets held in the "Specific Appropriations Reserve" or some similar holding account. Perhaps such a ferrying out has already been done, but the announcement of such a ferrying out would be very sobering.

Re Certifying Auditors

You will note that the bank statement reproduced and included in this study is headed "General Statement", and then liabilities and assets are listed. That conveys to me very clearly

that all the statement purports to be is a general statement on which some of the bank's assets and some of its liabilities are listed. In my opinion, such a stand is very fair and there seems to be no attempt to suggest that all the assets and liabilities are listed as, of course, they are not since the Hidden (Inner) Reserves do not appear as part of the General Statement. (Correspondents who should know better have written me to assure me that, in some mysterious way, the Hidden Reserves of the chartered banks are included in their published figures but involved in the other assets and liabilities so that they are not apparent.)

However, in the Auditors' Report to the Shareholders, the following statement appears: "We have examined the above statement of assets and liabilities--". There is a fine point here which, I think, should be discussed with the reporting auditors and, possibly, with the Canadian Institute of Chartered Accountants. You see, the Auditors say, "We have examined the above "STATEMENT OF ASSETS AND LIABILITIES--", and, in my opinion, it is doubtful that the Auditors have examined a Statement of Assets and Liabilities. A statement of Assets and Liabilities, to my mind, implies all the assets and all the liabilities, and the General Statement does not pretend to be such a statement. I think the most the Auditors should say is, "We have examined the above statement of some of the assets and some of the liabilities, etc".

A further reason, in my opinion, why the Certifying auditors should not have certified the "General Statement" as a "Statement of Assets and Liabilities" is that in so doing they imply that they are adhering to a principle which I will describe as the "principle of reciprocating contra accounts". I think the Certifying Auditors should be asked to explain their certification, or Report, having in mind the "principle of reciprocating contra accounts" and Section 59 of the Bank Act. When Section 59 is applied to the Liabilities in the General Statement, then the Statement does not balance.

SPECIAL COPY

519 East 7th Street
North Vancouver, B. C.
May 25th, 1954.

MEMORANDUM TO:

The Rt.Hon. Mr. St-Laurent
The Hon. Mr. Abbott
The Hon. Mr. McCann
The Hon. Mr. Garson
The Hon. Mr. Drew
Mr. M. J. Coldwell, M.P.
Mr. S. E. Low, M.P.
Mr. Geo. Hees, M.P.

Gentlemen:

Usury - 6000%

This communication is in haste and as a result of my receipt a few minutes ago of the proceedings before the Banking & Commerce Committee of the House of Commons for May 6th and 11th, 1954. The purpose of this communication is a plea to use your influence, in the interests of Canadian independence, to prevent the chartered banks becoming entrenched in the small loans and real estate loan business.

Present trading profit of chartered banks:
Cost of money to banks - Not more than 1/5 of 1% per year
Average interest rate to public - 5% per year
Trading Profit to Banks - At least 2500% per year

It is a fact that, at the maximum, 10% of our payment for goods and services is in currency or bills, and a minimum of 90% in cheques. On that postulation, when a borrower borrows \$100 from the bank, the bank knows approximately \$10.00 of that will be spent in currency and 90% in cheques. The 90% in cheques is no problem to the bank because that is simply a matter of offsetting entries between deposit accounts of individuals. However, the bank must make available \$10.00 in currency to cover the loan. To make this \$10.00 in currency available, the bank secures \$10.00 in currency from the Bank of Canada for which it deposits with the Bank of Canada low interest paper eligible as cash reserve. The interest on this paper is probably about 2%. Therefore, the bank loses in interest about 2% per year for every dollar of currency it puts into circulation in connection with creating and lending money. (A peculiarity of bank lending is that all money loaned by chartered banks is newly created money. It does not have to be earned or saved and, thus, is practically inexhaustible as to supply.) In other words, currency costs a chartered bank approximately 2% per year.

Costing 2%, the lending bank has secured the \$10.00 from the Bank of Canada at 20¢ per year. It is then in a position to credit the borrower's account with \$100.00 because it knows that the other \$90.00 will be spent in cheques. Therefore, the cost to the bank for the \$100.00 is 20¢ or 1/5 of 1% per year. The interest to the bank on \$100.00 at 5% is \$5.00 per year. Therefore, on an investment of 20¢ per year, the bank has an income of \$5.00, or a Trading Profit of 2500%.

This study leaves out of consideration interest paid to depositors and also operating expenses of a bank, but these figures are not public and therefore not available to me. In any case, the net profit, percentagewise, must be tremendous, and in my estimation is syphoned off secretly through the "Specific Appropriations Reserve" of the Inner Reserves and through the instrument of Section 11(4) of the Income Tax Act, as set out in my "Recapitulation, etc." forwarded under date of May 22nd.

The banks have been in the practice of allowing the small loan business and real estate loan business, etc., to be handled by institutions such as credit unions, small loan companies, insurance companies, etc. It has been their habit to create money and lend it to these institutions on a "bulk purchase" plan at a rate of about 2% per year which gave the banks a trading profit of about 1000% per year. Under amendments to the Bank Act, the banks have, apparently, decided to enter these fields and at interest rates that will allow them trading profits, on a hurried calculation, of about 6000% per year. The other lending institutions do not seem to be aware of it, but they are in a hopeless position to compete with the banks and will be at the banks' mercy.

The country is about to expand and, in my opinion, the financial interests are making sure they own every asset that is built. The little lending institutions and insurance companies will become auxiliary to the plan of acquisition of the assets of the country by the financial interests through being forced to become "money marketeers" or else they will be forced out of business.

The only hope of freedom from the most terrible consequences in this country lies in action by the Government to assume control of the manufacture, direction and quantity of bank credit as well as currency.

George A. Morison.

519 E. 7th Street
North Vancouver, B. C.
May 22, 1954.

Memorandum to:
The Honourable Members of the Senate
The Members of the House of Commons

Gentlemen:

Mr. Abbott - and the Criminal Code

According to the "Vancouver Sun" of May 5th, the Hon. Mr. Abbott is reported to have said in the House of Commons: "He considers it neither desirable nor feasible to spell out legislation fixing the amount of money which should be distributed".

From Mr. Abbott's statement as above, we must take it that he abdicates to the financial interests to "spell out the fixing of the amount of money which should be distributed". The "spelling out" of money is the method whereby the energies of the nation are directed, where the physical well-being of a nation is kept.

Our war production was the result of the "spelling out" or creation of approximately ten billions of new dollars injected into our economy during the war period. This was stated very clearly by Mr. Graham F. Towers in his evidence before the House of Commons Banking & Commerce Committee, March 18, 1954, page 692: "Nevertheless, the government had budgetary deficits totalling more than \$10,000 millions over the seven fiscal years under discussion. The counterpart of these tremendous deficits was, of course, equally vast sums of money flowing into the hands of the public."

among other things
It is my opinion that financial interests/are attempting to destroy trade unions and are engendering a "tight" money situation to accomplish their purpose, and are "spelling out" an amount of money too small to distribute the nation's goods. The financial interests are aware that lowering the standards of working people will be met by working people in the traditional way -- so now we have the Labor Amendments to the Criminal Code the more readily to bring down on the defenceless heads of desperate working people the clubs and gun butts of the nation's police.

You might ask: Why would financial interests purposely provoke working people to desperate measures. The answer to that lies in the "psychology of finance" most neatly put, I think, by Senator James Mill speaking in the United States Senate after chaos brought on in 1907 by financiers whose whim had been denied: "This recklessness and remorseless brutality comes from men who speak our language, who were born under the same skies and nurtured in the principles of a common faith. It comes from the cold, phlegmatic heart of avarice--avarice that seeks to paralyse labor and increase the burden of the nation's debt--avarice that refused to be satisfied without the suffocation and strangulation of all the labor in the land." It is in favour of such as these that Mr. Abbott "considers it neither desirable nor feasible to spell out legislation fixing the amount of money which should be distributed."

We are faced with Mr. Abbott's abdication to the financial interests, and with the Labor Amendments to the Criminal Code.
Dear God, please help us.

George A. Morison