

The Case to “Reinstate” the Bank of Canada

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by M. Oliver Heydorn

There is a very interesting legal case that is playing out in Canada at the moment. William Krehm, Anne Emmett, and COMER (The Committee for Monetary and Economic Reform: <http://www.comer.org/>) filed a lawsuit on December 12th, 2011, in Federal Court to try to force a restoration of the Bank of Canada to its mandated purposes. In essence, they want the Bank of Canada to provide interest-free loans to the federal, provincial, and municipal governments, as provided for in the Bank of Canada Act.

This money would be used to finance public expenditures whenever there is a budgetary deficit. Apparently, the federal government used to borrow interest-free (to at least some extent) from the Bank of Canada up until 1974. At present, governments borrow all of the necessary money (apart from any bonds they may sell to the public) from private banks at the going rate of interest. Canadians are economically burdened with the resultant debt-servicing charges because the Bank of Canada does not make use of its prerogatives in the interests of the Canadian public. The case is being prosecuted by Rocco Galati, who is widely considered to be Canada’s top constitutional lawyer.

The nature of the lawsuit has been explained on www.pressfortruth.ca in the following terms:

“TWO CANADIANS AND A CANADIAN ECONOMIC THINK TANK CONFRONT THE GLOBAL FINANCIAL POWERS IN THE CANADIAN FEDERAL COURT. THE CANADIANS PLEAD FOR DECLARATIONS THAT WOULD RESTORE THE USE OF THE BANK OF CANADA FOR THE BENEFIT OF CANADIANS AND REMOVE IT FROM THE CONTROL OF INTERNATIONAL PRIVATE ENTITIES WHOSE INTERESTS AND DIRECTIVES ARE PLACED ABOVE THE INTEREST OF CANADIANS AND THE PRIMACY OF THE CONSTITUTION OF CANADA

Canadian constitutional lawyer, Rocco Galati, on behalf of Canadians William Krehm, and Ann Emmett, and COMER (Committee for Monetary and Economic Reform) on December 12th, 2011 filed an action in Federal Court, to restore the use of the Bank of Canada to its original purpose, by exercising its public statutory duty and responsibility. That purpose includes making interest free loans to municipal/provincial/federal governments for “human capital” expenditures (education, health, other social services) and /or infrastructure expenditures. The action also constitutionally challenges the government’s fallacious accounting methods in its tabling of the budget by not calculating nor revealing the true and total revenues of the nation before transferring back “tax credits” to corporations and other taxpayers. The Plaintiffs state that since 1974 there has been a gradual but sure slide into

the reality that the Bank of Canada and Canada's monetary and financial policy are dictated by private foreign banks and financial interests contrary to the Bank of Canada Act.

The Plaintiffs state that the Bank of International Settlements (BIS), the Financial Stability Forum (FSF) and the International Monetary Fund (IMF) were all created with the cognizant intent of keeping poorer nations in their place which has now expanded to all nations in that these financial institutions largely succeed in over-riding governments and constitutional orders in countries such as Canada over which they exert financial control. The Plaintiffs state that the meetings of the BIS and Financial Stability Board (FSB) (successor of FSF), their minutes, their discussions and deliberations are secret and not available nor accountable to Parliament, the executive, nor the Canadian public notwithstanding that the Bank of Canada policies directly emanate from these meetings. These organizations are essentially private, foreign entities controlling Canada's banking system and socio-economic policies.

The Plaintiffs state that the defendants (officials) are unwittingly and /or wittingly, in varying degrees, knowledge and intent engaged in a conspiracy, along with the BIS, FSB, IMF to render impotent the Bank of Canada Act as well as Canadian sovereignty over financial, monetary, and socio-economic policy, and bypass the sovereign rule of Canada through its Parliament by means of banking and financial systems." <http://pressfortruth.ca/top-stories/case-reinstate-bank-canada/>

On the 26th of January, 2015, the latest appeal on behalf of the Crown to have the case dismissed was rejected by three judges in Federal Court in Toronto. The Federal government now has 60 days to appeal the decision to the Supreme Court. Cf. <http://pressfortruth.ca/top-stories/update-bank-canada-vs-comer/>. Interestingly enough, both the case itself and the various developments that have occurred are not being covered at all by the mainstream media. While Mr. Galati's other cases have regularly received wall-to-wall coverage across the country, this particular case, which he believes is probably his most important case to date, has so far been ignored. When questioned about this, Mr. Galati said that he has a firm basis for believing that the Canadian government has requested or ordered that the mainstream media not cover the case (he could not divulge his sources), and that, in his opinion, the government does control the media to a certain extent and on certain limited issues. He also added that he does not believe that we in Canada are living in a democracy. In fact, as far back as 1999, he has been on record as claiming that we have entered a 'quiet dictatorship.'

As far as its merits are concerned, Mr. Galati said that the case is on solid legal and constitutional grounds and his clients should win. Whether they will win or not is another question. As Mr. Galati has acknowledged: "Not all meritorious cases in our judicial system win".

From a Social Credit perspective, saving the taxpayer large sums of money and/or preserving the country from an increase in public indebtedness *via* the issuance of interest-free money from the Bank of Canada is certainly a good thing.[1] However, such a reform of the system does not address the fundamental problem with the present financial and economic orders: the chronic lack of consumer buying power. The macroeconomic gap between prices and incomes, which is primarily caused by how real capital (machines and equipment) are financed and how their costs are then accounted for under existing conventions, is THE issue which needs to be addressed. In the main, the present system

deals with the gap by filling it with additional debt-money from the private banking system in the form of public, corporate, and consumer debts. In lieu of these palliatives, a Social Credit system would fill the gap with 'debt-free' money and distribute it to consumers, directly through a National Dividend, and indirectly through a National Discount on retail prices. It is critical that the individual, the common consumer, be the prime beneficiary of any monetary reform and that he be accorded full control of credit-policy within the context of a properly functioning financial system.

In connection with this particular lawsuit and as a further clarification of the point just made, I should also mention that granting the government the right to fill the gap according to its policy-objectives (i.e., employing people to work on public production), or, more broadly, granting it or the state the sole right to control the whole money supply, is thoroughly incompatible with Social Credit's underlying social and political philosophy. Institutions exist to serve the interests of individuals, not the other way around. That is, individual consumers must control financial policy, not the government, the state, or the private banks. There is no point in "restoring the right to create and issue money to the state" if the state is then going to control the purposes for which producer and consumer credit are to be issued. This is the great trap of which certain monetary reformers, who are rightly concerned about the hegemony of private banking, are blissfully unaware. If, God forbid, such reformers get their way, and the state were to obtain *total monopoly control* over the money supply, I think they will find to their horror that the same people who levy a great deal of control over the private and partially decentralized monetary system will be in complete control of the state system.

Monopoly is the name of the game; let us not be 'useful idiots'.

Addendum:

Those individuals who believe that the main problem with the current financial system and economic regime consists in the mere fact that the private banks create the bulk of the money supply *ex nihilo* and then charge interest on the loans that they issue would do well to carefully read the following blog posts which explain the differences between this view and the unique Social Credit approach to monetary reform: (emphasis added)

<http://www.socred.org/blogs/view/social-credit-and-usury>,

<http://www.socred.org/blogs/view/usury-social-credit-and-catholicism>,

<http://www.socred.org/blogs/view/social-credit-a-simple-if-somewhat-lengthy-explanation>,

<http://www.socred.org/blogs/view/it-s-time-for-an-economic-copernican-turn>.

Douglas often criticized the practice of relying on borrowings from private banks at the going market rate of interest in order to finance government operations. Cf., for example, C.H. Douglas, *Social Credit*, rev.ed. (Gordon Press, New York: 1973), 136-139:

"The National Debt rose between August 1914 and December 1919 from about six hundred and sixty millions sterling, to about seven thousand seven hundred millions sterling. And this rise represents, on the whole, the expenditure over that period which it was deemed impracticable to recover in current taxation. That is to say, if we take the average taxation for supply purposes over that period 1914-1918, as being about three hundred millions per annum, the amount paid by the public as consumer for the goods and services supplied to it for war

purposes, was about thirteen hundred and fifty millions, and the financial cost of those goods and services was about eight thousand three hundred and fifty millions, a ratio of cost to price of about roughly 1 : 6.2. In other words, goods were sold to the public at one-sixth of their apparent financial cost, and no one lost any money over it at the time. How was this done?

A considerable amount of this money (some of which may be in excess of the figures just mentioned) was created through what are known as the Ways and Means Accounts, and the working of this is described in the first report of the Committee on Currency and Foreign Exchanges, 1918, page two. Paraphrased, the process may be shortly explained as follows.

If ten million pounds credit is advanced at the Bank of England to the credit of Public (i.e. State) Deposits (which simply involves the writing up of the Public Deposits account by this amount), this amount is paid out by the Spending Departments to contractors in payment for their services, and when the cheques are cleared, passes to the credit of the contractors' bankers (joint Stock Banks) account with the Bank of England. The joint Stock Banks are accustomed to regard their credits with the Bank of England as cash at call and, therefore, ten million pounds is credited to the depositors of the Joint Stock Banks, and ten million pounds to the Joint Stock Banks' cash account.

As a result of this, the joint Stock Banks, working on a ratio of one to four between so-called cash and short-date liabilities, are able to allow their customers (working on Government contracts) overdrafts to the extent of forty millions, a portion of which their customers may devote to taking up Treasury Bills or War Loans. The banks themselves may take up about eight millions of Treasury Bills or War Loan, out of their additional 'deposit' balances, or they may lend about eight millions to the Bank of England to lend to the Government. Eventually, the result is the same, namely that the Government owes forty millions to the banks, through the Bank of England.

Now the first point to notice is that the result of this complicated process is exactly the same as if the Government itself had provided forty millions, in Currency Notes, with the important exception that the public pays 4 or 5 per cent per annum on the forty millions, instead of merely paying the cost of printing the Currency Notes. The effect on prices, while the forty millions is outstanding, is the same, and the contractors pay 6 or 7 per cent for their overdrafts instead of getting the use of the money, free. But if the forty millions is redeemed through taxation, or a Capital Levy, the public pays not only the 5 per cent per annum, together with the contractor's 6 or 7 per cent, plus a profit on both of them, but it pays the whole of the forty millions out of money which has been received in respect of wages, salaries, and dividends. So far as I am aware, no one has ever suggested that Currency Notes should be retired by taxation. It is true that when this forty millions has been repaid, both the original debt and the repayment cancel each other, and only the interest charges go to the Profit and Loss Account of the Bank. But since, as we have seen, the repayment of bank loans means the immobilisation of an equivalent amount of price-values, this only means that a fresh loan with fresh interest charges has to be created. A consideration of these facts will make it easy to understand the implacable opposition of bankers and financiers to Government paper money and their insistence on the importance of what they term redemption. The payment in current taxation of only one-sixth of the price of war stores, etc., meant, therefore, that a credit grant of the other five-sixths of the price was made to the Public. The repayment of this credit is only justifiable on the assumption that banks own Public Credit."

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