

Bank of Canada Act

Canada has any means other than by importations of capital to meet this situation satisfactorily, but I am speaking of the economic and financial system within the country. I should like the minister to elaborate, when he speaks, as to why the \$100 million provided by the Bank of Canada to the Minister of Finance to cover various expenditures would be any more inflationary than an authorization for provision of this money by the chartered banks. I cannot understand why that would be any more severe.

● (6:30 p.m.)

As I said a few minutes ago, we must have a Minister of Finance and a governor of the Bank of Canada who will act in a responsible and sound manner in order that we have a supply of money. There is no question about that.

Mr. Sharp: In order to clarify this point, so that I understand what the hon. member is saying, let me ask him whether he is suggesting that the Bank of Canada should have increased its assets by more than \$200 million per year, which has been the average increase during the last five years, and that if it had, that would not have been more inflationary?

Mr. Olson: I am not suggesting that at all. I fully agree that the Bank of Canada quite properly increased its assets, as the minister said, by about \$200 million per year for the last five years.

What I am suggesting to the Minister of Finance, as he well knows, is that there has been a greater increase than \$200 million per year in the money supply. He also knows very well that his extra increase in the money supply was provided by the chartered banks as a result of increased deposits. What I am suggesting is that the extra money over and above the \$200 million could have come from the Bank of Canada, and this would not have been any more inflationary so far as the total economic and financial system is concerned.

This party has been advocating for 25 or 30 years that the Bank of Canada should acquire as much of the national debt as possible. We appreciate that a great deal has been done in this regard as a result of the \$250 million that went out, I presume, on December 15, 1966. From that day forward the interest will be paid to the Bank of Canada and ultimately that interest will find its way into the consolidated revenue of this country. I am sure the minister agrees with that statement. Far

[Mr. Olson.]

more of this should be done in respect of capital expenditures for public works projects of various kinds at the federal, provincial and municipal levels.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, did I understand the hon. member to say at one point that the Bank of Canada should assume the entire debt of Canada? Perhaps he modified that a little bit later. I am very interested in this suggestion because I have lent a modest amount to the government of Canada. What is the hon. member suggesting should be done with my investment in the federal administration of Canada?

Mr. Olson: Mr. Chairman, I thought I made it perfectly clear that it would take a number of years, perhaps 25, to transfer the public debt of Canada to the Bank of Canada. I mention that figure because the suggestion bears some relationship to the bond issues by the government of Canada. In my view these are firm contracts that the Minister of Finance and the government of Canada must honour. For that reason there is no possibility of transferring that indebtedness until those bonds mature and all the terms are met so far as the individuals who own them are concerned.

I am not particularly concerned about the bonds which are fairly well spread throughout the Canadian population, and I refer to Canada savings bonds, because obviously the interest goes out to a great number of people across the country and represents purchasing power.

As I say, I am not particularly concerned about Canada savings bonds, although I realize they represent a fairly large part of the total indebtedness of the Canadian government. What I did suggest was that perhaps even these bonds could be diminished to some extent over a period of time. In case the hon. member for Nanaimo-Cowichan-The Islands is concerned, let me suggest that there is no question at all in my mind as to whether or not Canada savings bonds and other government bonds are firm contracts which must be honoured. Payments must be made and the interest must be paid. We do not advocate that this or any other government should waltz on these contracts.

In closing let me suggest to the minister that he continue to expand the policy that was commenced a few years ago, having in mind that eventually, 10, 15 or 20 years from now, the total indebtedness of the federal