

Bank of Canada Act

not only to continue but to accelerate this kind of policy.

We would hope that eventually, over a period of perhaps 25 years—it may take that long for all these issues to mature—all the public debt will be transferred to the Bank of Canada. Once that has happened it will not make much difference to me whether the rate of interest is $1\frac{1}{2}$ per cent, 1 per cent or 2 per cent, which some hon. members have suggested would be the cost of carrying the debt. It might even be 5 per cent. It does not make much difference what the rate is because the money is being paid back to the people again through transfer to the Minister of Finance and the consolidated revenue fund. In my view it is not a very bad situation in so far as the whole country is concerned if we are taking the money out of one pocket and putting it into the other.

An hon. Member: Within Canada.

Mr. Olson: Yes, the hon. member says, within Canada. That is also important. If the Bank of Canada is to provide the capital requirements of the federal government and, through the federal government, of the other levels of government, it is absolutely essential that the Minister of Finance must act in a sound and responsible way in so far as how much expansion should take place at any given time is concerned. No one denies that. So far as I am concerned I am not sure there need be a more rapid expansion of the money supply than there is today.

I believe that this Minister of Finance and his successors will act in this way. I also believe the governor of the Bank of Canada will act in this way. We do not want one-way inflation. We are not asking for an enormous expansion of the money supply that would dilute the value of all the money in existence today but we also know there is a continuing expansion of the money supply in the country, which is the correct action to take. So long as our economy is expanding obviously it will take more money in toto to do the job that this means of exchange is called upon to do within the economy.

Therefore, Mr. Chairman, I commend the minister and his immediate predecessor for the steps they have taken because they certainly are an improvement over what was done many years ago. As a matter of fact, when Hon. Donald Fleming was minister of finance I believe he also took some action along this line, or at least a purchase of some

bonds of the government of Canada was made when he was minister of finance.

I think there should be a very distinct separation of capital expenditure and what might be termed operating expenditure in so far as the federal treasury is concerned. I believe that the receipts in the treasury every year other than borrowings should be sufficient to meet the expenditures. I believe we should face up to the fact that in any year we must have revenue from taxation and other sources sufficient to meet all the demands which the people of Canada make for which members of this parliament authorize expenditure. There need not be any delay in making expenditures for whatever good reason in excess of what we are willing to tax our people. I suggest that this is the proper attitude to take in respect of what might generally be called operating expenditures. They include such things as payments to civil servants, old age pensions, family allowance payments, and so on.

Then there is a need for some capital expenditure. This could be in the form of new public buildings, wharves and even expenditures in respect of the seaway authority, and I believe this would be a legitimate place for the Bank of Canada to supply funds. In this way we would not be paying interest in perpetuity on these assets which the resources and labour of Canadians have already built.

These are important basic matters. There is no mention in this bill of any intention to accelerate the program of transferring the public debt to the Bank of Canada. I believe there ought to be. I agree wholeheartedly with the hon. members for Fraser Valley, Kootenay West and others who have advocated this. I should like the minister to answer this question. If there is an increase in the money supply—and he knows this is going on all the time—is it any more inflationary to have it provided by the Bank of Canada than by the chartered banks in the country? Is it any more inflationary to have this increase in the money supply provided by the Bank of Canada than by imported capital?

Mr. Sharp: Mr. Chairman, may I answer the question? The answer is yes.

Mr. Olson: The minister will have to give a detailed explanation of the reason. I realize that unfortunately there has been some need for the importation of capital to meet our international balance of payments from time to time. I am not suggesting that the Bank of