The payment of all money borrowed and interest thereon and of the principal of and interest on all securities issued by or on behalf of Her Majesty with the authority of parliament is a charge on and payable out of the consolidated revenue fund.

That language seems to confirm my point. If charges are to be made on the consolidated revenue fund, the payment of those charges should either be authorized by parliament generally or covered by a Governor General's recommendation.

None of us wants to hold up the bill today. We are correcting an error made on December 9 and taking a few minutes to emphasize the point that this matter should be straightened out and put on a proper basis before it arises again. Most of all, putting it on a proper basis means that hon. members should have the right to discuss, for instance, the borrowing of $2 billion instead of having to vote for it without any discussion at all.

[*Translation*]

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, I feel the minister ought to give us further information concerning Bill C-80, to allow the government to borrow up to $2 billion in special or additional loans, as may be required for public works and general purposes. This means anything, anywhere and anyhow, for clause 2. (1) states:

The Governor in Council may, in addition to the sums now remaining unborrowed and negotiable of the loans authorized by Parliament, by any Act heretofore passed, raise by way of loan, under the Financial Administration Act, by the issue and sale ...

The issue and sale of what? The minister does not say.

... or pledge of securities of Canada, in such form, for such separate sums, at such rates of interest and upon such other terms and conditions as the Governor in Council may approve ...

Again, the minister does not say what the interest rate will be and from whom the government will borrow up to $2 billion.

... such sum or sums of money, not exceeding in the whole, the sum of two billion dollars, as may be required for public works and general purposes.

Mr. Speaker, I said that the minister should tell the House how he intends to borrow up to $2 billion. The minister is surely aware of the fact that Parliament is sovereign and that it can issue bonds for the financial needs which might arise at anytime.

Indeed, this special legislation authorizing borrowings up to $2 billion should be explained more fully, because under the Bank Act, the Bank of Canada is authorized to buy bonds from the federal government as well as from the provinces. And when the Bank of Canada buys a government bond issue, this buying by the Bank of Canada constitutes a reserve for the chartered banks, for the Canadian banking system.

It is established that the current reserve must be 6 per cent. Let us examine the case of the government issuing $2 billion worth of bonds sold to the Bank of Canada. So, as soon as the Bank of Canada buys the government bonds, the chartered banks can multiply that reserve, because the bonds become a reserve; the banks are entitled to multiply sixteen-fold, according to the law, that two-billion dollar bond issue; that gives the chartered banks the right to grant loans for $32 billion dollars, on the basis of the $2 billion the government would claim or of the bonds the government would sell the Bank of Canada. This confirms what we, Social Crediters, have been saying for many years. That discretionary power should be given the people's bank, the Bank of Canada.

Mr. Speaker, the government is playing with fire when it asks Parliament to approve a bill such as Bill C-80, which grants even more powers to those who control money and credit, to those, as we often say, who control the economic blood of the nation. All the problems, as we know, all the problems of inflation, mentioned by the Minister of Finance, stem from the absurd financial system which forces us to pay back two or three times the amounts the government is about to borrow.

Now, the government does not want to borrow from the Bank of Canada. It will borrow from the chartered banks as usual, or resort to foreign investors, borrowing or begging from them, as Mr. Bourassa of the province of Quebec does so nicely, with so much elegance, it will go and borrow from the Americans every week or every month.

Mr. Speaker, this bill proves clearly, beyond a doubt, how right the Social Credit Party is in saying to the government: regain control over the issue of money and credit, appoint a national credit commission to make sure that at all times there is no more credit in circulation than real wealth in Canada.

● (1610)

But when we have real values, when there are public works to be done, why do we not use the method proposed by Social Credit and have interest-free loans from the Bank of Canada. If it costs $1 billion, the Bank of Canada can create credit as well as any American according to the same values and it could be repaid according to the depreciation of the works if they last 25, 30 or 40 or 50 years. The government should repay during that period so that we may get more credit and more achievements in Canada.

The government refers not only to public works but to general purposes. What does it mean by general purposes? To create an anti-inflation board to pay the bureaucracy required in other fields? But this bill, Mr. Speaker, is inflationary because if the government has recourse to loans at an interest rate of 10, 10½, 10¾ and even 11 per cent over 20 or 25 years period, like the recent $200 million loan secured by Quebec Premier Bourassa in the United States at 10 per cent over 25 years, which means that in 25 years we shall pay only for interest $250 million in interest alone and still owe $200 million for the capital. If it is not inflationary, Mr. Speaker, what is it?

And the government urges the people, the workers to limit their demands to fight inflation. In the meantime, we feed that inflationary system, we encourage excessive interest rates, and we do not have the guts to turn down the financial exploiters of the Canadian people, and provinces.

Not later than yesterday evening, an Ottawa news report told us that the Hull municipality was going to raise its taxes by 28.5 per cent. The government does not say anything. Mr. Jean-Luc Pepin will have nothing to say either. Municipalities, provinces, are allowed to raise their taxes by 20, 25, 30 per cent. Natural gas in Canada will go up by