

Bank of Canada Act

years in this house and there is good reason why we continue to advocate it. The reason is very simple. We believe that the money required for capital expenditure at the federal and other levels of government should be provided at low interest rates and by an institution that is owned and controlled by the people of the country.

The second but equally important reason for our advocating this is that the earnings of the Bank of Canada must be turned back into the consolidated revenue fund. I have before me the 1964 annual report of the governor of the Bank of Canada. At page 45 of that report there appears the Bank of Canada statement of income and expenses. Total income of the bank in 1963 was \$127,851,000. There were total operating expenses of \$10 million, and after depreciation and other items had been taken into account \$116,386,000 was left as net income which was paid to the Receiver General of Canada to be placed in the consolidated revenue fund. In 1964 this amount increased to \$128,237,000 and in 1965 the operations of the Bank of Canada produced a net income of \$143 million payable to the Receiver General of Canada.

The more bonds the Bank of Canada holds, whether they be government bonds or other kinds, and the more assets it has, the more will be the net income transferable to the consolidated revenue fund. To me this seems relatively simple to understand because when this money comes into the federal treasury it provides funds for all of the expenses of the federal government. It is equally easy to understand that the Bank of Canada is an institution owned by the people of Canada. All its shares are held by the Minister of Finance in the name of the people of Canada.

For hospitals, schools, federal government buildings and all the other capital projects mentioned by the hon. member for Fraser Valley, we contend that the original capital ought to come from the Bank of Canada. Such projects are non-profit or not immediately profit producing. If they were financed by the Bank of Canada we would only have to pay for them once. We would not have to pay their cost over and over again in the high interest charges imposed during debt amortization.

At this stage in our development it cannot be said that this kind of policy is ridiculous and that we who advocate it do not understand the financial and monetary system of the country. I have before me three advertisements, and I could produce more, showing that in fact the Bank of Canada does buy

[Mr. Olson.]

federal government bonds. Some 15 or 20 years ago we were ridiculed for suggesting that this could and should be done. Now, to a degree, it is being done. For example, one of these advertisements appeared in a daily newspaper of April 1, 1965. The advertisement states:

● (6:20 p.m.)

Issue of \$175,000,000 non-callable government of Canada bonds.

Then there is this paragraph:

Bank of Canada has already agreed to acquire a minimum of \$75,000,000 of the new bonds.

There it is, Mr. Chairman. They are doing it. I have another advertisement which appeared in the *Ottawa Citizen* of June 14, 1965. This one reads:

Issue of \$325,000,000 non-callable government of Canada bonds dated July 1, 1965.

Then there is the following paragraph:

Bank of Canada has already agreed to acquire a minimum of \$75,000,000 of the new bonds open as to maturity.

I should also like to read from an advertisement referred to by the hon. member for Fraser Valley a few minutes ago. The date of issue of the bonds in this advertisement is December 15, 1966. It reads:

Issue of \$500,000,000 (or thereabouts) non-callable government of Canada bonds.

This advertisement appeared in the *Ottawa Citizen* of November 28, 1966. One paragraph reads as follows:

Bank of Canada has already agreed to acquire a minimum of \$35,000,000 of the 5½ per cent bonds due January 15, 1968, a minimum of \$175,000,000 of the 5¾ per cent bonds due December 15, 1970, and a minimum of \$40,000,000 of the new 5¾ per cent bonds due September 1, 1992.

There are different maturity dates, but of this issue on December 15, 1966, the Bank of Canada agreed to acquire \$250 million of these bonds, or 50 per cent.

If I am correct and I have not seen all these advertisements—this is the largest amount the Bank of Canada has agreed to acquire in advance of an issue. We commend the government for this action. We commend the Bank of Canada for buying up this public debt. No longer is it a question of whether they can or cannot do it. They are doing it. When the Minister of Finance and his parliamentary secretary say that it is foolish for us to advocate that the Bank of Canada should buy these government bonds they are flying in the face of what is actually being done. Therefore we urge the Minister of Finance