

Bank of Canada Act

Here is the reply given by Minister of Finance:

The government of Canada's outstanding debt represents the cumulative total of all government cash deficits less surpluses since 1867. The deficits have been financed through the sale of cash securities while surpluses have been used to reduce the total of securities outstanding. Changes in debt for any period of time, assuming a constant cash balance, represent the difference between government cash receipts and expenditures of all kinds and are, therefore, the consequence of the government's fiscal operations. Since these fiscal operations have a very important effect upon Canada's economy, fiscal policy must take into account prevailing economic circumstances and the probable consequences of any action taken.

That is only part of the minister's answer. At this point, I would like to ask him who determines what the prevailing economic circumstances are in Canada. And I quote the end of his answer on that occasion:

It is not possible to predict when economic circumstances would make it appropriate for fiscal policy to aim at achieving cash surpluses. It is, therefore, not possible to forecast whether or to what extent the government would consider it appropriate to reduce or eliminate all its outstanding debt.

So, Mr. Chairman, it seems that the minister does not know how and when we will be able to repay this debt which now costs us over \$1,200 million per year.

I am very much concerned about the answer given by the minister, Mr. Chairman, and I will put again the question to him. When and how will he manage to pay that debt, so that the Canadian taxpayer, the Canadian worker, will not have to pay that interest which goes directly to those who hold claims on Canada's debt and who are not farmers or workers or settlers, but who are well off and few in numbers.

I hope the minister will come up with a satisfactory answer. If he does not want to accept the Social Credit policy, let him find another one, at least, let him get us out of the economic mess we are in.

Mr. Allard: Mr. Chairman, I should like to make a few brief comments on this very important bill. Tonight, we have heard hon. members speak very seriously of the role of the Bank of Canada and make some most appropriate suggestions to the Minister of Finance and Receiver General.

But, for my part, I should like to remind the minister that thousands of Canadians understand that the financial and monetary

As I have previously explained, the first charters originally gave the banks the power to issue notes to the extent of three times the cash on hand. You will recall that the banks were required to remit in kind all the notes issued. Some banks succeeded in doing this and they are still operating. Others failed because they were not able to meet this condition. You will find on pages 782 and 783 of the proceedings of this committee a table showing what happened to the 110 chartered banks that have operated or were incorporated since confederation.

Only eleven are still in business.

There are now eight and there will soon be ten, because two new bank charters have been granted.

I will read further:

Profits made by banks are especially the result of interest charged on loans. At the beginning, profits were small, simply because loans were based on the figure of fiduciary circulation, restricted itself to three times the share capital paid in addition to the bank cash deposits. Nowadays however, profits are higher, because banks are free to grant some loans under the form of bank credit up to 20 times the amount of legal tender on deposit. In fact, they seldom exceed the ratio of 10 to 1.

Mr. Chairman, a few years ago, during one of the first federal-provincial conference, that is in 1942, a former Conservative leader, who was then premier of Manitoba, Hon. John Bracken, stated at that conference that the present tax source was unbalanced.

As for the interest which I mentioned earlier, it must be understood that the Canadian workers will pay taxes to provide the necessary money for the interest on the national debt.

And this is what led John Bracken to declare in 1942:

The unbalanced tax system transfers the income of comparatively low-wage earners to those who have comparatively higher incomes. The proceeds of indirect taxes collected by the federal government are mostly used to pay the interest on the national debt—

• (9:40 p.m.)

I would like to ask the minister how he intends to reimburse the present debt of Canada. Only a few days ago, my colleague, the member for Portneuf (Mr. Godin), put on the order paper question No. 2,485, which was answered on March 13, last, as shown on page 13879 of *Hansard*.

How many years will it take the government of Canada to reimburse the debts it has been accumulating since 1867?