

Use of Bank of Canada to Ease Tax Burden
maturity. The government is now borrowing at a 13-month rate of almost $7\frac{1}{10}$ per cent.

We know that on 182-day bills money is costing the government almost 7 per cent. We then find another sector of this bond issue on the basis of three years at $7\frac{1}{4}$ per cent due the first of April, 1972, issued at 99.9 per cent and yielding 7.29 per cent. We then find a third group, five-year bonds at $7\frac{1}{4}$ per cent due the first of April, 1974, issued at 100 per cent and yielding $7\frac{1}{4}$ per cent at maturity. This latter group of 5-year bonds is exchangeable by the holder into ten-year bonds at par on the basis of $7\frac{1}{2}$ per cent. The yield is at the same rate over a period of ten years commencing on the first of April, 1974. This amounts to about 7.39 per cent for the full 15-year period commencing on the first of April, 1969. This is merely an exchange for bonds bearing much lower rates of interest.

If I recall accurately, back in 1958-59 the minister of finance of that day was told when he attempted to finance at $4\frac{3}{4}$ per cent or 5 per cent that he was selling the country down the river or harnessing the country in a financial strait-jacket. The present Minister of Finance says that we have not seen anything yet. He says he will show us what he can do. Yes, he is going to shackle the country with a bond issue for a period of 15 years at 7.4 per cent. Who is now fastening the country with shackles? What an increase!

• (3:50 p.m.)

Are we to believe this government when it says it is coping with inflation? We can go back to the arguments of the budget debate when the minister said he was going to increase expenditures this year by over \$800 million. The principle seems to be to tax up to the expenditure level, not to spend within the revenue level of the country. If the minister made the exchange I think Canada would be in a far better position. But instead we spend and then tax up to those expenditures. This is a footnote to the act: "In addition the Bank of Canada has agreed to acquire from the government a further \$50 million of the new $7\frac{1}{4}$ per cent bonds—that is the three year bonds—further \$25 million of the new $7\frac{1}{4}$ per cent five-year bonds and \$75 million of government of Canada $5\frac{3}{4}$ per cent bonds due October 1, 1969, which are placed by the Minister of Finance in the securities investment account." In other words, the public is being asked to take \$410 million in a roll-over and the Bank of Canada likewise is

[Mr. Lambert (Edmonton West).]

going to do \$75 million worth of roll-over. No new money in any of that!

Mr. Benson: No.

Mr. Lambert (Edmonton West): It is a good thing the minister is not going for new money because it is my information that the Canada savings bonds campaign of last fall, which was touted loudly by the minister as being such a resounding success—after all, the issue was paying over 7 per cent effectively—produced merely about \$70 million of new money.

Mr. Benson: It was \$700 million.

Mr. Lambert (Edmonton West): It was not \$700 million of new money, not at all. That is not what my friends in the bond business tell me. I ask, Mr. Speaker, how much of that money has remained and has not been reconverted? The Bank of Canada is also being used by the government to support these sagging bond issues. Every time the Bank of Canada intervenes and purchases bonds it places more money at the credit of the banks in their central reserves and expands the reserves on which they may lend. Because there is inflation, because the government cannot control it, because government bond prices are sagging, the bank is forced to act on behalf of the government. This results in a much greater flow of money.

The cash supply is today vastly in excess of what it was in April of 1963 when the Liberals took office. The net result, of course, is that since that time we have seen the cost of living index rise by about 25 per cent. It is now a little more difficult to see the true change. On January 1 we saw the new index which already, based on 1961, is up to 122 or 123. If 1961 is 100, it has already gone up well over 20 per cent. My time is limited on this type of motion, Mr. Speaker. All I can say is that the motion is far too vague, it certainly has not been spelled out, and I cannot support it.

Mr. Max Saltsman (Waterloo): Mr. Speaker, like the hon. member for Edmonton West (Mr. Lambert) I cannot support this motion. I understand the spirit that motivates this attempt at changing the system under which the Bank of Canada operates, that is, changing its terms of reference. I have been in this house for a number of years and have had occasion to listen to many of my hon. friends to my left. I have become aware of the fact that there is a genuine sentiment there that speaks on behalf of the frustration of the