

ered to make loans. When I say that it is empowered to grant loans to various sectors of society, I base my statement on a provision of the very act which established it, and I quote:

The Bank of Canada may make loans or advances to chartered banks—

—this does not happen often, because chartered banks do not need the Bank of Canada. It is not the Bank of Canada which controls the chartered banks but the chartered banks which lead the Bank of Canada and Mr. Rasminsky by the nose. I go on with the quotation:

—may make loans or advances for periods not exceeding six months to chartered banks or to banks to which the Quebec Savings Bank Act applies,

So much for the banks.

—on the pledge of certain classes of securities.

What kind of securities? Well, they are government bonds.

Loans or advances may be made under certain conditions—

Of course, the conditions are not specified.

—and for limited periods to the Government of Canada or of any province.

I did not make up the story. This is recorded in the Canada Year Book and in the Bank of Canada Act.

Mr. Speaker, instead of saying that loans can be made by the Bank of Canada under certain conditions, let us recognize, and I quote, that:

Loans or advances may be made under certain conditions and for limited periods to the government of Canada—

Why are limited periods imposed on the government of Canada? Is the government of Canada or the Parliament of Canada not more important than the Bank of Canada? Is Parliament not responsible for the monetary policy in a sovereign country such as Canada? Is it the Governor of the Bank of Canada who should lay down his conditions or is it Parliament which should tell the Bank of Canada what to do?

The Bank of Canada can also make loans to provinces and municipalities, but for limited periods of six months. Why six months? Why not take into account the depreciation of the works carried out?

If a road must be built in the province of Quebec, or in Ontario, or in British Columbia, those governments should be allowed to borrow from the Bank of Canada and pay back the loans over the period of deprecia-

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tion. If the road lasts 25 years, let the loan be paid back over a 25-year period, according to its wear and tear. In that way, the credit issued can never exceed the real wealth. That strikes me as a good solution. Repayment should be spread over a period comparable to the time of depreciation of the works involved.

To my mind, the government would then be moving efficiently towards economic recovery in Canada and towards allowing our financial system to achieve a sustained economic growth in the best interests of the nation.

[English]

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, it was very interesting to listen to the hon. member for Temiscamingue (Mr. Caouette) carry still further his continuing campaign to become Governor of the Bank of Canada.

Just over two months ago, I delivered a budget speech in this House urging the undertaking of a national effort during the course of this year to help check the inflationary spiral of costs and prices in Canada. I pointed out then that it was the policy of the government to restrain increases in total spending in the economy as an essential prerequisite for achieving our primary economic objective. I readily acknowledged that we faced a hard task in bringing about a significant reduction in the rate of cost and price increases. I anticipated that the economy would grow more slowly during the current year than in 1969, and that there would be some increase in unemployment as well.

I further warned the House that there would be difficult wage negotiation in the months ahead. Some of those negotiations, I predicted, might be followed by strikes, perhaps prolonged ones, before settlements were reached. Profits have already begun to fall and are likely to fall further in terms both of total dollars and of unit output. While the picture is not yet complete, there are indications that the rate of growth of the economy has slowed down in the early months of this year and, as anticipated, there has also been a moderate increase in the rate of unemployment.

Mr. Woolliams: Moderate?

Mr. Benson: After climbing marginally during the last half of 1969 to a seasonally adjusted rate of 4.8 per cent, the rate declined to 4.5 in January, rose to 4.8 in February, 5.1