

Bank of Canada Act

The Deputy Chairman: Shall clause 19 carry?

Mr. Martineau: May I call it five o'clock?

The Deputy Chairman: Order. It being five o'clock and in order that the house may proceed to the consideration of private members' business, it is now my duty to leave the chair.

The Acting Speaker (Mr. Batten): Order. It being five o'clock the house will now proceed to the consideration of private members' business as listed on today's order paper, namely public bills.

BANK OF CANADA ACT

AMENDMENT TO CHANGE FORM OF BANK NOTES

Mr. Maurice Côté (Chicoutimi) moved the second reading of Bill No. C-26, to amend the Bank of Canada Act (form and material of notes).

[Translation]

He said: Mr. Speaker, in introducing Bill No. C-26, an act to amend the material of notes issued by the Bank of Canada, I simply wish to change the obsolete wording on our bank notes. For that purpose, I propose that subsection 4 of section 21 of the Bank of Canada Act be hereby repealed and the following substituted therefor:

The form and material of notes shall be subject to approval by the minister, but such notes shall not contain any wording which is misleading or which might deceive the public as to the true nature thereof, or of the obligations incurred by the bank in issuing them and all notes shall be printed in both the English and the French languages.

As stated therein, the purpose of this bill is to provide that bank notes shall not be inaccurate and misleading as they are at the present time because they bear the words:

"Will pay to the bearer on demand".

These Bank of Canada notes being legal tender, such words printed on them are misleading. To replace those words, I suggest that the following words be printed: Legal value. It will be more consistent with the facts.

Why are the words "Will pay to the bearer on demand" inaccurate and misleading? Precisely because at one time, our notes were secured on a gold reserve amounting to 25 per cent of the value of notes in circulation. And if a Canadian wanted to exchange his notes against gold coins, he could legally do it. In fact, it almost never happened.

However, since 1940 there has been no gold in the Bank of Canada to guarantee legal Canadian currency. In fact, to a question I

[Mr. Gordon.]

asked the Minister of Finance in October 1962, I got the following reply:

The Bank of Canada maintains no gold reserve whatever.

Here is what we find at page 1089 of the Canada Year Book, 1962, and I quote:

This requirement was suspended in 1940 when, under the terms of the exchange fund order the bank's gold holdings were transferred to the exchange fund account to form part of Canada's official gold and United States dollar reserves.

At the time of the motion preceding the first reading of this bill, I noticed that the Minister of Finance (Mr. Gordon) showed his agreement by a nod. I believe it is not presumptuous to conclude that the Minister of Finance unreservedly approves this bill.

Moreover, the Ottawa newspaper the *Citizen*, under date of December 5, 1963, published a short news item concerning this bill, which I shall quote in the original language.

[Text]

M.P. Reads His Money, Wants Words Changed.

A Social Credit M.P. maintains that Canadian paper money is "inaccurate and misleading" because it bears the words "Bank of Canada will pay to the bearer on demand" (the value of the bill). Maurice Côté, a follower of Socred leader Robert Thompson, from Chicoutimi, Quebec, introduced a private members bill in the Commons Wednesday which would replace the words with the simple statement: "Legal value". Côté said the old words are now misleading and inaccurate because money is no longer guaranteed by gold. A Bank of Canada official asked what the bank would give a "bearer" who presented a dollar bill and demanded a dollar for it replied: "Another dollar". He agreed with Mr. Côté that the words were a hangover from the days when you could get payment in gold or other metallic substance for your money. Nowadays they just meant you could trade old notes in for new.

[Translation]

We must consider that the value of our bank notes proceeds nowadays from a social fact, that is the purchasing power given to it by the members of the social group by virtue of a practice of long date. That value comes from an act of faith, a collective trust, the assurance that 100 monetary units, called dollars, enable and will enable to pay taxes, merchandise, services, debts up to 100 monetary units, whatever the material support of these units may be.

We must also consider the fact that if our Canadian currency could be converted into gold during many years, this same currency has not been convertible since 1940 and that it never ceased to have the confidence of all Canadians.

As for me, Mr. Speaker, when I have in my pocket a nice \$20 note, I am very pleased because I know I can buy Canadian products anywhere in Canada.

The bond which linked our notes to the gold standard gradually lost its importance.