

Bank of Canada Act

Mr. Grégoire: Yes and the collective debts have also increased. And let the minister come and refute this. The minister continued:

I know that there are still or have been in this year of unprecedented prosperity and expansion, some unused resources.

Well, there have been some unused resources. All our unemployed manpower, that is an unused resource. That was not used.

But those resources have not been available in the places where they could be used. So that is why I say during the year that I have been in office, I have not been troubled about a deficiency of money and credit.

One of the places where those resources have been unused is surely in the construction industry which is one of the main areas of the economy of a country. The resources have not been used in that area. But it does not matter, in spite of all that, he says that there has been no deficiency of money and that he has not been troubled about that.

There are other fantastic questions in this issue. Unfortunately, in that committee, all the questions we wanted to ask could not be put and we have not been given the scope we wanted.

• (6:10 p.m.)

I was not a member myself of the committee and when I wanted to carry the matter further, I did put the following question to the Minister of Finance:

—Mr. Sharp, when, you yourself, or the Bank of Canada decides to increase the money supply which is done almost every year how do you proceed to increase that money supply?

You will note, Mr. Chairman, that I asked the Minister of Finance how he proceeds to increase the money supply. But the minister would not answer. He then turned to the chairman of the committee—

The Deputy Chairman: Order. Order. I regret I have to advise the hon. member that his time is up.

Mr. Grégoire: I shall continue later, Mr. Chairman.

[English]

Mr. Olson: Mr. Chairman, in considering Bill C-190 after all the time which was spent on it in the standing committee, of which I was not a member, it seems to me the amendments contain very little except for steps to correct a few weaknesses which have become evident, apart from the clause which deals which the authority to be vested in the Minister of Finance and the government to issue a directive to the governor of the Bank

of Canada in the event that there is a conflict of opinion on what future monetary policy should be.

A recommendation to that effect was contained in the report of the Porter royal commission on banking and finance. At the time that report was made public we in this party commended the people who prepared it because for too long we had heard ministers of finance deny in this house that they and their governments could assume full responsibility for monetary policy. I do not suggest that the present minister made such a statement but it is a fact that in 1961 the then minister, the hon. Donald Fleming, said he could not assume responsibility for monetary policy. He went on to say that he was almost astounded by what he found in the statute books at the time that he had a conflict with the then governor, Mr. James Coyne.

On that occasion I sat in the gallery and listened to him say that the events which took place sent him scurrying to the statutes to find out where such authority finally rested. He said he was astounded and amazed, and I think he was disappointed, when he finally discovered that the governor of the bank was the final authority on monetary policy. But now a government directly responsible to parliament is going to assume full responsibility for the direction that monetary policies take, and we in this party give our full support to that amendment.

Surely the purpose of the Bank of Canada is to adjust monetary policies from time to time to make them appropriate for current economic conditions. This purpose must be achieved in anticipation. In other words, the Bank of Canada, the Minister of Finance and all those who are directing monetary policies must constantly look ahead because those policies must be established in advance of immediate requirements. The effectiveness of a monetary policy does not take place immediately.

Predictions cannot always be accurate. We do not expect that. But for too long the legislation establishing the Bank of Canada and providing it with its authority has been leading Canada into an undesirable situation. This afternoon much argument was advanced by the hon. member for Fraser Valley, the hon. member for Kootenay West and other hon. members that the Bank of Canada ought to be a bank of issue, at least to the federal government during those times when it is desirable to have an expansion in the money supply. Members of the Social Credit party have been advocating this step for 25 to 30