

Bank of Canada Act

not only of the federal government but also of all the provinces which are stagnating.

The bill under consideration would amend the Bank of Canada Act, so that that institution could be permitted to make long term loans to the federal government or provincial governments at an interest rate which would not exceed administration costs.

Mr. Speaker, the Bank of Canada is an institution which should first be useful to all Canadians and then to the federal government and provincial governments. That is why amendments to the Bank of Canada Act are advocated by the Cr ditistes.

The bill under consideration would repeal section 18(1)(i) of the existing act which now reads as follows:

The Bank may . . . make loans or advances for periods not exceeding six months to the Government of Canada or the government of any province on the pledge or hypothecation of readily marketable securities issued or guaranteed by Canada or any province.

Mr. Speaker, we suggest to put the Bank of Canada at the service of the provinces and the federal government to prevent this institution from becoming a mere shadow. To this end, we propose three changes to section 18(1)(i) of the Bank of Canada Act in order to change the duration of loans from this bank to the federal government or to a provincial government.

Instead of lending money for periods not exceeding six months, as prescribed in the existing act, the Bank of Canada could make long term loans, for periods up to 60 years, stated in our amendment.

Mr. Speaker, it is absolutely ridiculous to see the Bank of Canada proposing loans to the central government or to the provinces for a period not exceeding six months. In fact, the governments cannot, in such a short period, make long term investments and avail themselves of the benefits that the Bank of Canada should offer to these various governments.

The second amendment concerns guarantees to be supplied by federal and provincial governments. At present, the bank requires as security readily negotiable transferable stocks and shares because loans are for short terms.

The amendment we are proposing calls for real credit of Canada or of any province to guarantee loans granted by the bank. This would enable the Bank of Canada to make loans to the federal government on the real worth of Canada, and to provinces on their real credit and their physical potential and not exclusively on short term guarantees or transferable securities. The Bank of Canada could thus truly carry out its function as a Canadian financial institution serving central and provincial governments.

The third change we propose for the present Bank of Canada Act concerns the interest rate. Instead of being subjected to exorbitant interest rates that can only worsen their financial position, the borrowers, be they the federal government or the provinces, could obtain loans at a rate of interest not exceeding the cost of administration, as is the case with loans granted to developing countries.

Mr. Speaker, considering that the rate of interest of the Bank of Canada has increased from 6½ to 9 per cent within a few years, one must come to the conclusion that

[Mr. Rondeau.]

the Bank of Canada in fact has restrained the Canadian economy and induced the rise of interest rates in all financial fields. The Bank of Canada was the direct cause of inflationary interest rates affecting housing, agriculture and production, whereas it should be what the Social Credit party wants it to be, that is a financial institution ensuring an adequate economic balance, viable competition and reasonable prices.

Now, at the present time, the Bank of Canada is not assuming its proper role, and so the members of the Social Credit party are proposing an amendment to the Bank of Canada Act that will have that institution serve the purposes that were intended for it on its inception in 1935.

• (1710)

For example during the last 19 years of federal government administration, 17 budgets have shown a deficit while Canada had only two budget surpluses. The federal government showed up a total deficit of \$6,361,000,000 which means a deficit of \$300 per Canadian. In 1955, Canada had a deficit of \$151 million, in 1965 a deficit of \$38 million, in 1967 a deficit of \$442 million, in 1969 a deficit of \$566 million and in 1972, \$600 million. Strangely enough, in all the governments that have followed one another in the House since 1955, all the budgets have shown a deficit. Mr. Speaker, this information can be found in the Public Accounts of Canada for the fiscal year 1970-71 especially in the booklet entitled "How your tax dollar is spent 1972-73" and in the budget papers tabled by the Minister of Finance (Mr. Turner) on May 8, 1972.

Thus, with the amendments we propose to bring to the Bank of Canada Act today, the federal government could balance its budget and say once and for all that the deficits experienced in the federal administration is a thing of the past because the federal government would be really, financially speaking, a supreme power and the provinces could take the responsibilities inherent in their own jurisdiction. Unfortunately, we are the witnesses of sempiternal federal-provincial conferences that always end up in quibbles over tax sharing.

The federal government is responsible for financial matters in Canada while the provincial governments have jurisdiction over highways and education. But if the federal government does not put the Bank of Canada at the service of provinces to enable them to develop, to grow without being reduced to beggary, without being compelled to go and beg in New York or elsewhere, things will be taking a bad turn.

Mr. Speaker, thanks to the amendments we are introducing today, the Bank of Canada could play its part; the federal government and particularly the provinces will not have to lie at the mercy of foreign countries.

We could thus finance our public debt, which has gone up from \$17,951,491,464 in 1955 to \$45 billion in 1972 and which will increase by a few billions when the estimates are brought forward next Monday. The federal government alone will therefore have a debt of about \$50 billion.

Mr. Speaker, thanks to the amendments I am introducing under this bill, the Bank of Canada could redeem obligations which are now on the market and pay their