

Bank of Canada Act

of the Canadian citizens and not of parliament.

But parliament has to pass the act. And Mr. Graham Towers said that parliament has full power to adopt amendments, to amend the Bank Act to make the Bank of Canada more flexible, not to put it at the service of the chartered banks but at the service of the Canadian citizens—in order to regulate credit and currency in the best interests of the economic life of the nation and to improve the economic development of the nation by maintaining Canada's economic growth. That is why the Bank of Canada was created. Our debts can be paid in the same way they were made.

Mr. Mongrain: Mr. Chairman, I would like to ask the hon. member a question. I suppose that you will find it objective and that I suppose that the hon. member for Villeneuve has studied the system in operation in Europe, in the Netherlands especially. It is called municipal credit. Does not the hon. member for Villeneuve feel that it would be a practical and workable stage toward the monetary reform he advocates since it has been working for at least a hundred years?

Mr. Caouette: I thank the hon. member for Trois-Rivières (Mr. Mongrain) for his question. As a matter of fact, I think that a municipal development bank or a municipal or school credit bank would greatly help, provided that bank were the Bank of Canada and not the chartered banks. Because, precisely, municipalities and school boards fall in the public sector. This is the case in certain countries, such as the Netherlands. Yes, for this system of municipal credit exists. But is it controlled by the central bank of those countries or is it in the hands of chartered banks instead of in the hands of the central bank? We could do exactly the same as we do with the Industrial Development Bank, which is now a branch of the Bank of Canada.

The present Minister of Finance may not be minister of finance ten years hence. But while he is, in view of his great knowledge of the present financial system and in view of the fact that he looks like a good guy, and that he gives the impression that he understands easily, I suggest he should bring in some concrete amendments which would make it possible to use Bank of Canada interest-free credit for the public sector and would make the chartered banks serve the private sector as they have always done in this country.

[Mr. Caouette.]

[English]

Mr. Olson: Mr. Chairman, when I was speaking earlier this evening I suggested to the Minister of Finance that the Bank of Canada should purchase a greater amount of the bond issues of the government of Canada. I am sure the minister agrees with me because certainly his policy has been that the Bank of Canada purchase at least part of the bond issues floated from time to time. As I pointed out in respect of the \$500 million issue of December 15, 1966, the Bank of Canada agreed to acquire a minimum of \$35 million of one type, \$175 million of another type and \$40 million of the third type, and I use the word "type" in the sense of maturity date. There was an agreement to purchase \$250 million of this issue. In other words the Bank of Canada agreed to pick up 50 per cent of the total. Therefore there seems to be some degree of agreement between the Minister of Finance, his government and the Bank of Canada.

It is important that this policy be extended because we are not even holding our own so far as debt charges are concerned. The new book on estimates placed before the house today indicates an item for public debt charges at page 140 in respect of interest and annual amortization of bond discount premiums and commissions in the amount of \$1,270,939,500. This represents an increase of \$88,488,000 over the previous fiscal year. The increase in net earnings of the Bank of Canada transferred to the consolidated revenue fund between 1964 and 1965 was only \$15 million. For this reason we are deeply concerned about this amount of public debt to be carried by the Bank of Canada and we suggested that it should be increased. The Bank of Canada should be purchasing a greater percentage of these new issues.

The \$1,270,939,500 required for the ensuing fiscal year is about one half of the personal income taxes paid in this country. This is far too much. Yet, as I pointed out in response to some questions, we as a nation must honour all the bonds which have been issued as they mature. This is the area in which the Bank of Canada should be involved to a greater extent.

We have all heard a great deal of discussion and disagreement about how the money supply is increased. The minister has acknowledged that the Bank of Canada has been responsible for increasing the money supply to the extent of about \$200 million per year for the last five years. That does not represent the total amount of the increase.