

Use of Bank of Canada to Ease Tax Burden

• (9:10 p.m.)

The Canadian people have contributed enough, I think, to produce high financiers. It is high time the government assumed its responsibilities and offered the people who live in this young and growing country of Canada the advantages it offers to underdeveloped countries of the world which could teach us a lot from many points of view.

Niger for instance. I see here, in the Minutes and proceedings of the standing committee on external affairs and national defence for the sitting held on Wednesday, January 31, 1968, that we have helped Niger:

We know that Niger receives aid from our government.

Mr. Speaker, Niger can teach us first of all how to go about with ships; because Niger is a small and poor country which the rich country of Canada helps. Yet Niger has a merchant marine and its ships navigate in our Vancouver and St. Lawrence River waters. The come for the goods we have given them or they can buy with the credits we have offered them. Now, if new credits are allotted for the sale of wheat—

The Acting Speaker (Mr. Richard): Order. The time allotted the hon. member has expired

[English]

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, perhaps I should interject briefly at this point. First of all, I would like to correct a statement I made in the house this afternoon when the hon. member for Edmonton West (Mr. Lambert) was speaking. He indicated that he believed the Canada Savings Bond issue had raised only \$70 million in new money. I said, "Surely, you mean \$700 million"? I now have the figures from the Bank of Canada. The net increase through the issue of the Canada Savings Bonds in November was \$871 million, and the redemptions since that time have been \$217 million, leaving a net cash position at this time of \$654 million. That is net new cash out of the Canada Savings Bond issue of last November after taking account of all redemptions which are moving at a relatively normal level.

The main argument that the members of the Creditiste party have been putting forward is that in Canada the money supply is not great enough. First of all, I would like to indicate to the leader of the Creditiste party, and indeed to all hon. members of the house, that the Bank of Canada is at the service of the people of Canada. It is the duty of the

[Mr. Godin.]

Bank of Canada to look after the money supply in Canada, and the monetary policy. Indeed, it is the responsibility of the Governor of the Bank to look after this particular task. It is a very difficult and important task in Canada, and I would like to say that we are fortunate in Canada in having Mr. Rasminsky as head of the Bank of Canada, a man who is one of the ablest central bankers in the whole world.

Some hon. Members: Hear, hear.

Mr. Benson: The task of monetary policy, along with fiscal and other economic policies, is to seek to maintain a financial environment that facilitates the maximum sustainable growth of the economy. It is through the achievement of this objective that the greatest sustained flow of real resources becomes available to assist in the solution of specific economic and social problems, such as the problem of poverty.

In the course of providing an adequate monetary base for sustained economic growth, the Bank of Canada adds appreciably to its holdings of Government of Canada securities each year. As at March 12, 1969, the bank held a total of \$3.8 billion of Government of Canada securities. Virtually all of the interest on these securities comes back to the government since the profits of the bank are, under the Bank of Canada Act, paid to the government. If the bank bought government securities on a greater scale than was necessary for sound monetary growth this would only add to inflationary pressures in the Canadian economy. Inflation worsens the position of the poor, particularly the older people on fixed incomes. The failure of monetary policy to resist inflation would jeopardize the sustained growth of the economy and would undermine the confidence of foreign investors in our capacity to manage our affairs. On both counts there would be a smaller volume of real resources available to Canadians and their governments to deal with our economic and social problems.

Here, I would like to agree with something that the Leader of the Opposition (Mr. Stanfield) said in a speech a week or ten days ago—and it is very unusual for me to agree with him—that inflation is really one of the greatest problems we have in Canada. The reason we have high interest rates in Canada, indeed the reason interest rates throughout the world are very high, is the expectation of people that inflation will continue.

I should point out that the prime bank rate in the United States was raised to 7½ per