

Financial Administration

administrative machinery. If we can find a happy medium I think we will have solved one of the most pressing and urgent problems of our day, but one which I must confess it seems to me at the moment we are very far from solving.

With these general remarks, let me turn to some matters which come under more particular headings. One of the things which the parliamentary assistant has said this legislation is designed to do is to provide a more effective method of giving parliament a degree of supervision over public borrowing and the public debt. In that connection there is one remark I want to make at this time because I think it is something that should be said. I believe there is room for grave reproach of the government at the present time with respect to the way in which it has interfered, indirectly it must be confessed but nevertheless interfered, with the value of government bonds. It is reported in the press today that as a result of the policy of the Bank of Canada the value of government bonds has depreciated further to the extent of anything up to \$1.30 on \$100. I think that is one of the most dangerous things the government can do, because it seems to me the result can only be to destroy confidence in the obligations of the Dominion of Canada. If, in addition to the disturbance and uneasiness of mind of our people as a result of the present inflationary trend and the decrease in the purchasing power of our dollar, we have added any suggestion that as a matter of deliberate policy the value of securities with the backing of the Dominion of Canada is to be depreciated, I think the results will be disastrous.

Mr. Sinclair: Because this matter is of great importance, would the hon. member give me the source of his assertion that it was action by the Bank of Canada which resulted in that drop in government bonds?

Mr. Fulton: I have not the article with me. I will get it later, but I think I can summarize it now. It is in today's press, and the same general assertions have been made in articles previously; that the Bank of Canada formerly supported the market for Dominion of Canada bonds by issuing quotations of the prices at which it would purchase bonds of various issues. I remember that a year and a half ago, certainly not more than two years ago, most of the Dominion of Canada bonds issued during the war were quoted on the market at well over their \$100 face value. However, within the last two years the Bank of Canada has withdrawn that support from the bond market, and because of that withdrawal of support

[Mr. Fulton.]

the market quotations for bonds have been dropping until in many cases war loan bonds are now quoted at less than par.

The article which I saw today refers to a further quite substantial drop which has just taken place in recent days. It is because of the withdrawal of support of the bond market by the Bank of Canada that the drop in market quotations has taken place. Don't let the parliamentary assistant tell me that does not mean that the bonds will be redeemed at less than par. I know that as well as he does.

Mr. Sinclair: You are anticipating me. All I am going to say is that in the same press account from New York there is a statement by the Bank of Canada saying that they had not taken any such action, that they were neither supporting nor withdrawing their support of the bonds. That is in the very same statement to which the hon. member referred, and I think I should point that out in all fairness since I did not expect to be called on in this regard. It is important that an answer should be made, and on Monday at three o'clock I will be glad to make a statement on this very important problem.

Mr. Fulton: I am glad to hear that because I agree with the parliamentary assistant it is a matter of sufficient importance to call for a statement. I shall leave it at that for the moment. Certainly the understanding in the financial papers and the daily press is that it is the result of the action of the Bank of Canada in withdrawing support from the bond market. If the parliamentary assistant can clear up that matter, if in his statement he will say anything to indicate to the people of Canada that they need not have any concern that the bonds which they bought at \$100 will become worth less than \$100 as a result of government policy, then I for one will welcome that statement. I think it is a statement which should have been made some time ago. I hope it will not be confined to a statement merely that when the bonds come due for redemption they will be redeemed at par. That does not help the situation at all because these bonds are the same as currency today. When they were sold people were encouraged to buy them on the basis that their bonds would be freely negotiable, and up to the present time they have been.

Of what value to a person today is a bond which has a face value of \$100 and will be redeemed at \$100 in ten years' time, when perhaps the purchasing power of the dollar will have dropped still further, if today it will only fetch \$95 on the market? That situation can only have the effect of