

municipalities such as education, sewers, water and so on. These responsibilities of the municipalities could be taken care of by a municipal bank that would operate as a child of the Bank of Canada.

As I have said before, we could rent facilities from the chartered banks in order to make sure we would get the type of credit that is needed into the hands of the municipalities at cost. The first point in the minister's speech related to provincial revenues. The second point he mentioned was equalization payments. Here again, a municipal bank would assist in eliminating much of the stress on equalization payments because the need could be governed at the very root of the problem, the financing of services generally. I am sure this is where a start should be made and could be made.

The third point the minister mentioned was conditional grants. Here again, the case for such a bank would be very much in the forefront. Conditional grants would be tied in with equalization payments and provincial revenues. This would mean that our whole provincial policy would be much more flexible.

• (3:30 p.m.)

I come now, Mr. Speaker, to what I think is a very important point in the minister's speech. I refer to the International Monetary Fund. I hope I misunderstood the minister in this regard but in reading his Budget speech it seems to me he is stating we must have machinery on a world level to enable the International Monetary Fund to create money. I feel this would be a dangerous precedent. It would mean we would be doing away with a certain amount of our sovereignty. In the final analysis I think it would do away with the country known as Canada, as well as many other countries. I cannot help but sound a warning in connection with the matter of the International Monetary Fund and the minister's reference to its ability to create money. In that connection I should like to read from a little booklet called "Money Facts" put out by the 88th Congress of the United States. It was the report of the subcommittee on domestic finance, of the Committee on Banking and Currency in the United States.

The question here asked is, "Where does the federal reserve get the money with which to create bank reserves?" The answer is:

It doesn't "get" the money, it creates it. When the federal reserve writes a check, it is creating money. This can result in an increase in bank

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reserves—a demand deposit—or in cash; if the customer prefers cash, he can demand federal reserve notes, and the federal reserve will have the treasury department print them. The federal reserve is a total moneymaking machine. It can issue money or checks. And it never has a problem of making its checks good because it can obtain the \$5 and \$10 bills necessary to cover its check simply by asking the treasury department's bureau of engraving to print them.

This is the report of the subcommittee on finance in the United States, issued one year ago last September.

If we are going to find ourselves in a position where the International Monetary Fund is going to be given the right and the privilege to create money, we can, in my view, say that we are surrendering our sovereignty in a way that would not be contemplated by even the most foolish people. I believe that we should take a very close look at this situation. I am not saying that we should not help anybody, that we should not make a fund available to do any good that it is necessary to do in the world. I am not saying that we should not help starving people, or that we should not help in the development of underdeveloped countries. But surely, Mr. Speaker, we should never be put in the position of creating money for other countries that can create money for their own uses. This would be monstrous. This would be similar to the problem raised by the C.B.C. program, where a wild plant grew up and gobbled up everybody that came near it. We have to be sure that this International Monetary Fund is backed by a 100 per cent reserve basis.

Mr. Speaker, I was happy to note that the minister has captured in his speech another Social Credit phrase. He has captured the fourth point in the Social Credit program: that that which is physically possible can and must be made financially possible. I noticed that twice in his speech he mentioned our physical capabilities, in reference to production.

I say to the minister that it is nice to see him moving along the path, as did his predecessor, when his predecessor admitted that the federal government is actually practising, to a degree, the Social Credit monetary reform policy. I hope that this may be extended, Mr. Speaker. I believe it was raised on August 7, 1964, originally, but I regret that I forget the page number in *Hansard*.

As you see, Mr. Speaker, we are making progress, even though there are only five of us here, from this party. We each have our