

*Bank of Canada Act*

of adequate public capital to meet the need of governments at all levels to provide services to the people. Finally, I would like to refer to the national debt and the continuing cost of servicing our national debt.

First of all let me deal with the question of monetary policy. Sometimes it may be a little difficult to separate monetary policy from fiscal policy, but I call attention to a question and answer found in a booklet entitled "Money Facts". It was presented to the subcommittee on domestic finance of the committee on banking and currency of the House of Representatives, 88th congress, second session, on September 21, 1964. Question number 133 is: "What is monetary policy?" This is the answer:

Monetary policy deals with the operating instructions of the managers of our money factory. Monetary policy is what fits money into the structure of the economy. In specific terms it consists of the decisions the money managers make about the quantity of money, the price of money, and the availability of money... In the broadest sense, monetary policy can be thought of as manipulation of the money supply in the pursuit of broad economic goals.

I suggest that the term "manipulation" should be interpreted in the best possible light because I believe it can be very properly used in this connection. The answer I have quoted points out that in a broader sense monetary policy can be considered to be a manipulation of the money supply in the pursuit of broad economic goals. I think this emphasizes the importance of the consideration of monetary policy.

Many times we are concerned about other factors and other issues. In fact I received a letter yesterday from an individual calling attention to the fact that the committee, in much of its work, dealt with issues that were on the circumference of the problem and failed to take cognizance of and deal with the very heart and core of our monetary policy. Therefore I believe we should recognize the fact that monetary policy should be dealt with in a very specific and detailed manner because until we do so we are not going to find an adequate solution to the problems that confront us in our country. This points up the importance of monetary policy and that it should be attended to.

The body responsible for monetary policy has been questioned in times past. Some who have served as minister of finance in this country have indicated that the government is not responsible for monetary policy, that this matter should be left strictly to the Bank of Canada and to the governor of the Bank of

[Mr. Patterson.]

Canada. We have seen the conflicts that have arisen because of this confusion. There have been times when it seemed as though government policy approved by parliament was moving in one direction while the policy of the Bank of Canada was trying to take us in another. I suggest that this is a completely unsatisfactory situation because there should be harmony between the policies adopted by the parliament and the policies that are carried out by the Bank of Canada. Therefore it is a matter of satisfaction to note that in the bill the clear statement is made that monetary policy must be carried out by the Minister of Finance and the Bank of Canada but that in case of conflict, directives may be issued by the minister and must be observed.

The government has established its jurisdiction but the main question is whether it is prepared to assume and discharge its responsibility or whether it will continue to follow monetary policies which in the past have failed to meet the requirements of our nation. A challenge is presented to the government because the government, having made clear that it is responsible for monetary policy, will have to take the responsibility if the results are not satisfactory. On the other hand, if the policies are effective and accomplish their desired objectives a measure of credit and approval will be given to the government which implements those policies.

I should like to deal also with the representations that we in the Social Credit party have made time and time again regarding the necessity for establishing as a branch or arm of the Bank of Canada what we have termed a municipal development bank. I notice that on various occasions it has been referred to in other terms but we appreciate the fact that sometimes it has been referred to as the municipal development bank. I do not think there is any need for us to argue the necessity for urgent consideration of the needs of municipalities in providing facilities which in turn will provide services to the people over whom they have jurisdiction. I refer particularly to such institutions as hospitals, schools and other municipal capital projects which are not profit-making ventures. They exist solely to provide services to the people. I believe, therefore, that they should be set apart from other projects and enterprises whose main objective is to make a profit, although services may be provided as well.