

Bank Act

concerned, we are not going to get out of the financial problems that the federal levels of government and all other levels of government are having. I think it is time the Minister of Finance rose and gave us some explanations respecting this paradox, in that we seem to have reached the stage where we must have deficits, and everybody accepts that. The Conservatives were in office from 1957 to 1963 and they had a deficit very single year during that period. Since the Liberals have come back to office, in spite of the terrible things they have said about deficits they too are budgeting for a deficit. Furthermore, there is no indication at this time that they even have their sights aimed at a date when they will be able to manage the affairs of this country without having a deficit.

I want to say in fairness, Mr. Chairman, that we in this party have criticized the enormous deficits we have had in the past few years, but having said that I think that if we had to choose between deficits and the kind of economic contraction which leads to the depression of the type we knew in this country prior to the second world war, we and everyone else in the country would prefer deficits rather than setting that kind of economic activity in motion.

The interesting thing about these deficits is that in the space of three or four years since 1958 we have also had an expansion of the interest charges on the national debt, which annually amounts to more than the deficit itself. This is the kind of paradox which I think the Minister of Finance should explain. I would ask why it is that if we have to have deficits to keep our economy buoyant, along with those deficits we have to have increased interest charges which more than account for the deficits? Our party has advocated for years that if we could take the first step toward putting a solid foundation under our social capital requirements and had this money provided by the Bank of Canada, eventually we would be able to inject new money into our economy to keep it going to the extent of its physical limitations, while at the same time keeping debt charges down. In that way we would not run into the situation where our debt charges add more and more to our deficits, and where the higher are the debt charges the higher are our deficits. It is really a vicious circle.

The report goes on to say that—there are those—and I presume that refers to those in the Social Credit party—who say that we should pay all our expenses with new

[Mr. Olson.]

money. That is, all our government expenses. We have never said that. We have said that part of the social capital requirements could be supplied by the Bank of Canada. In the last fiscal year, 1963, reports indicated that there was an expansion in the money supply in this country of \$1,345 million. If the federal government needed about \$700 million in new money of that \$1,345 million, we consider this expansion of the social capital requirements could be supplied by the Bank of Canada. I cannot understand why it would be any more inflationary if this money were to come from the Bank of Canada than if it were supplied by the other chartered banks in the country. I cannot understand why it would increase inflationary pressures if it came either from the chartered banks or from the Bank of Canada. When parliament gets to the point of sending to the standing committee on banking and commerce for recommendations to change the bank charters of this country, we believe there should be some new recommendations made respecting the Bank of Canada as well.

The Porter commission dealt with this matter to some extent I believe in chapter 26. We all remember the controversy between the minister of finance and the governor of the Bank of Canada in 1961, I believe it was, and this has been taken into consideration by the commissioners. As reported at page 543 of their report they say:

The Bank of Canada Act should be amended to make this clear and to provide the Minister of Finance with the right to issue a directive to the bank if the government disapproves of its policy.

I am happy to see these words in the report, because I think the commissioners have recognized that the political authorities in this country must be supreme and that all the branches of government must, in the final analysis, acquiesce in the wishes of the federal cabinet. The report goes on to say:

We therefore recommend that any directive take the form of an order in council to ensure that it receives cabinet consideration—

So apparently after we adopt these recommendations there need no longer be any conflict between the incumbent minister of finance and the governor of the Bank of Canada.

I am not going to go any further at this time, Mr. Chairman, but my reason for drawing these matters to the attention of the Minister of Finance now is that if he also accepts what the report says is generally accepted and best thought of with respect to the interest charges on the national debt, then