of display and presentation of the members of that party; nevertheless, I have plenty of experience in playing with figures. We can all play this little game of adding up figures and coming up with logical answers. I think today it may be just as well if we put on the record a few facts and statements which will illustrate to the people who take the trouble to read *Hansard* that there are answers to the kinds of presentations that have been put forward by the proposer of the motion.

• (1750)

Bill C-14 would amend the Bank of Canada Act to permit loans and advances to the government of Canada for a period not exceeding 60 years, rather than for a period not exceeding six months as in the present act. It would also amend the Bank of Canada Act to permit such lending on the "real credit of Canada or the provinces." I wonder what that wording is intended to mean. It would also permit the Bank of Canada to make such loans at a rate of interest which does not exceed the cost of administration. We could really have fun with that one, too.

Similar suggestions for amendments have been made in the past and have been rejected by the government. I would quote from *Hansard* for March 15, 1967, when the then minister of finance, now Secretary of State for External Affairs (Mr. Sharp), replied to a similar amendment and chose to quote from a 1964 report of the Royal Commission on Banking and Financing as follows:

> However, the same section of the act enables the bank to act as banker or fiscal agent to the government of any province by agreement. While never used in practice, we believe it should be removed since the bank could not run an effective national monetary policy if it were to be continually under the obligation to put out new issues for the provinces, at least without conflicting with its fiscal responsibilities to its provincial clients. Adequate fiscal and banking advice is available elsewhere, and the embarrassment which would result from the central bank vetoing an unsound provincial financial program rises all too readily to the imagination.

I read that last sentence slowly and I do not think we need go any further in amplifying that particular point. The minister went on to quote another extract from the commission's report as follows:

> We also received a proposal that the Bank of Canada should finance the social capital requirements of the provinces and municipalities either directly or through re-discount facilities, a proposal which would involve major changes in that institution's operating practices and have profound consequences on its ability to promote national objectives. Financing on the scale envisaged could only be supplied by the central bank if price stability were sacrificed, and even on a smaller scale would subject the central bank to intolerable pressures from eleven competing governments. For the latter reason also, we do not believe it necessary or desirable for the central bank to act as an underwriter to these governments, especially in view of the full facilities available in the private sector.

About two years later the Hon. E. J. Benson, also speaking on the same type of proposal, said the following as recorded in *Hansard* for March 18, 1969, at page 6789:

> There was some mention with respect to contributions to the provinces. Indeed, the proposition in the motion was that the Bank of Canada buy up provincial and municipal debentures, presumably by printing more money because that is the only source of funds they have. I think a better solution to this is for the federal government to stay out of the financial markets as much as possible and thus make room for the available limited resources to move to the provinces and municipalities. Indeed, that is what we are trying to do. In fact, that has been our aim for some time and continues to be our aim.

They argued that implementation of the proposals on the scale apparently envisaged by the proponents would pose a serious risk of inflation. They also argued that the involvement of the Bank of Canada in provincial finances, particularly on the limited scale that would be consistent with sound monetary policy, would risk very troublesome conflict of interest problems for the bank. It would, moreover, simply provide an indirect transfer of funds from the federal government to provincial governments, a transfer which could more appropriately be made directly between governments in the context of federal-provincial fiscal relations. Let me quote as follows from the same 1964 report of the Royal Commission on Banking and Finance:

> The Bank of Canada acts as agents for the Minister of Finance in all transactions for the government's securities accounts or the exchange fund. It also has the power to act as fiscal agent for any provincial government and is permitted to invest in provincial government securities, but these powers have not been exercised. In practice the bank would find it extremely difficult to act for provincial governments and deal in their securities because of the virtually insoluble problems of equity among different governments that would inevitably arise. (In view of the relatively small annual increase in the bank's security portfolio, it could make only a limited contribution to provincial financing in any case.) We do not see the same political objection to including provincial securities among those eligible for discount at the Bank of Canada but there would be little advantage in doing so: as a practical matter this would reduce the borrowing costs of provincial governments little if at all.

Although paragraph 18(1)(i) of the Bank of Canada Act, which this proposal wishes to revise, restricts the ability of the Bank of Canada to make loans to the provinces and the federal government, paragraph 18(1)(c) allows the bank to purchase both federal and provincial securities without restriction as to term or rate of interest. Thus there is no legal barrier to the Bank of Canada in fact lending to governments through the purchase of their securities.

Each year the Bank of Canada buys a limited number of Government of Canada securities in line with its responsibilities for a sound monetary policy. The bank currently does not hold any provincial securities and has not done so for many years because of the likely conflict of interest that could arise. There would be great difficulty in allocating the additions to the bank's portfolio of securities among 11 competing governments. This theme is repeated throughout. Furthermore, in a period of monetary restraint the bank might have to sell securities to control the rate of credit expansion. In such circumstances, sales of provincial securities by the bank could interfere with the ability of provinces to finance their cash requirements. Such a conflict can, of course, also arise in the case of the federal government but, unlike the provinces, the federal authorities are directly responsible for monetary policy and economic stabilization.

Mr. Deputy Speaker: Order, please. The hour provided for the consideration of private members' business has now expired. Perhaps the House would permit us to go back into committee of the whole before the Chair calls it six o'clock. Is this agreed?