

*Bank of Canada Act*

government, with the exception of perhaps Canada savings bonds, will be transferred to the Bank of Canada.

There is another useful purpose for these bonds which is somewhat different from the use of ordinary government bonds. There may be certain economic activities in the country which would make it desirable to float a fairly large government savings bond issue. This might be desirable to drain off some purchasing power, or to slow down or take the heat off the economy. Such an issue of bonds may serve that useful purpose for some time in the future.

**Mr. Schreyer:** May I ask the hon. member a question?

**Mr. Olson:** Yes.

**Mr. Schreyer:** I find myself trying to agree with the hon. member, but I should like to ask him whether he is advocating that the federal government budgeting be divided into current and capital categories, with current requirements being met by a comparable increase in revenue by way of taxation, and capital requirements being met by the Bank of Canada picking up government securities? I cannot really visualize the effectiveness of that, because people with funds to lend would be restricted to buying bonds on the private market. Would this not tend to cause tremendous cost push influence?

**Mr. Olson:** It is apparent that the hon. member has comprehended fairly accurately what I was trying to say. There would naturally be a long transitional period before the Minister of Finance could request the Bank of Canada to look after all capital expenditures. I have no fear of a cost-push influence developing in the private market if all private funds had to be invested there. One of the things which has caused interest rates to go up—and this could have been avoided—relates to the government going back to the private money market time and time again for large issues of money. This could have been avoided because the interest on these private funds would have found some place in the private market for the expansion of the industry and commerce. I cannot conceive of any long period of time in Canada when there would be more private funds available than the private market was willing and ready to use for the benefit of the whole country.

• (6:40 p.m.)

Surely it would be advantageous, even today, for those people who are trying to

borrow money in the private money market, if there was no competition from the federal government in that market.

So, again, the answer to the hon. member's question is that he understood what I am trying to say. Obviously it could not be done suddenly, but over a long period of time I think it would be beneficial. In closing, Mr. Chairman, I wish to refer to one other matter about which I am concerned. This has been mentioned before. The estimates that have been placed before this house today, for the fiscal year ending March 31, 1968—

**The Chairman:** Order. I must advise the hon. member for Medicine Hat that the time allotted to him has expired.

**Some hon. Members:** Carry on.

**Mr. Olson:** Mr. Chairman, I will not take up any more of the time of the committee because it would take probably five or ten minutes to deal with this matter. I will take advantage of another opportunity to put forward this point.

**Mr. Grégoire:** Mr. Chairman, when I spoke a while ago I only had time to explain one point which I would now like to summarize: at the present time, our Minister of Finance sees in our monetary system a matter of flair, a matter of judgment, and not a scientific matter, a scientific problem, something scientific.

He may say: That depends on flair, on feelings but he is not quite sure; perhaps to a certain extent it can be a matter of judgment. At any rate, that is not sure, for I believe that, up to a point, it is a matter of judgment, but assuredly not one for flair and feelings.

We say, Mr. Chairman, that our monetary system must be organized scientifically, realistically, to match mathematically the possibilities and wealth of the country with the possibilities of the people for availing themselves of the wealth and production of Canada.

Among others, Mr. Chairman, I asked the following question of the Minister of Finance. It can be found on page 3000 of No. 43 of the report, in the penultimate paragraph, and I quote:

How can you be satisfied with the amount of money in circulation when they do not have enough money to buy what they have worked for and they still have to borrow when they are producing?