

The Budget—Mr. Olson

than there is in other years. It seems to me that this is an opportune time for the minister and the governor of the Bank of Canada to assume the attitude that a much larger proportion of the money to be supplied should be supplied by the Bank of Canada in this fiscal year.

Mr. Sharp: May I ask the hon. member whether he does not agree that one of the main considerations which must weigh with the monetary authorities is the relationship in respect of the interest rate as between Canada and the United States, particularly with regard to long-term bonds.

Mr. Olson: I do not disagree with that at all. I know there are many other considerations which must be taken into account with regard to the amount of the increase in the money supply and where it comes from. I am not disagreeing with that. I am just suggesting that if \$200 million per year as an average over the last five years, as I believe the minister stated in the house in February, was an appropriate amount when the deficit of the federal government was much smaller than is budgeted for now, a larger share of the fiscal requirements of the federal government could be and should be supplied by the Bank of Canada.

• (5:20 p.m.)

I do not want to go over a lot of the history of the fiscal dealings of the Bank of Canada because I did so in February when the revisions to the Bank of Canada were before the house. However, I should like to put on record one of the examples I have in mind, and I have many of them in front of me. On November 28, 1966, the government of Canada announced a \$500 million bond issue. The Bank of Canada picked up \$250 million of that \$500 million. Some of that money was raised to redeem an issue that was maturing part of which the Bank of Canada held, so in effect they were partially replacing a maturing issue with a new issue. However, it seems to me that this is a good example.

For a great number of years the policy of this party has been that the total requirements of the federal government in certain areas of expenditure should be met by the Bank of Canada to the extent that it is in keeping with sound monetary policy, bearing in mind inflation and that sort of thing. Let me appeal to the minister to take this fact into consideration, because the results are that the greater the amount the Bank of

Canada holds of federal government indebtedness, the greater the amount the Bank of Canada turns over to the federal treasury at the end of their fiscal year.

This amount has been increasing substantially in the past few years. I have before me the report of the Bank of Canada for 1966 which shows that for that year it turned over net income to the Receiver General of Canada in the amount of \$150,585,000, which was substantially more than the year before. The more Canadian government bonds that are purchased and held by the Bank of Canada, the more interest accumulates and the higher will be the return to the minister and to the treasury of Canada. I hope that the minister and the governor of the Bank of Canada will give serious consideration to the bank picking up a larger portion of whatever is the amount of a prudent increase in the money supply for this fiscal year.

Let me now turn to another matter, the old age security fund. The minister stated that the surplus in this fund would be increased by \$109 million and that this will be added to the \$430 million now in the account. Thus at the end of this fiscal year, if all projections are accurate, there will be a surplus of some \$530 million to \$540 million in the old age security fund.

When the mini-budget was brought forward last fall there was not that kind of explanation given which I think we require at this time. The situation now requires a great deal more explanation. When the mini-budget was presented we were told that the revenue resulting from the increase in income and other taxes to be apportioned to the old age security fund was only sufficient to meet the increased payments as a result of the guaranteed income supplement. It now appears that the fund is increasing rather rapidly. I suppose there is the possibility that following each year during which the age is dropped from 67 to 66 and eventually to 65, there will be a greater number of citizens receiving old age security and this will no doubt increase the expenditures from the fund. If that is the complete explanation, it was not made clear to the house.

If I recall clearly the minister's responses to questions, he suggested that the additional taxes resulting from the mini-budget would only be sufficient to cover expenditures for old age security purposes. This fund went up some \$200 million this year and we now have a projection of \$109 million more. When will we reach the stage when the revenue is balanced with the expenditures from this fund?