

The Address—Mr. Thompson

to the benefit of the farmers but also meets the competition in the world. There is mention in the speech from the throne of an economic development fund for rural Canada, of a general declaration of war on poverty and the establishment of a Canada Development Corporation to assist in the development of Canadian industry. These in themselves are good, but how are they going to reach their objective?

I think the most important issue facing us this session in the immediate weeks ahead is the revisions that must be brought into the Back Act. Fortunately there is a built-in time limit in this particular matter because, if by July 1 those amendments are not made, every bank in the country will close. This brings me to just a few remarks about the services of the Bank of Canada and what they should be. At the present time the Bank of Canada holds approximately 15 per cent of the national debt. This is something that many of us do not realize, but I quote from *Hansard* of August 7 last when the Minister of Finance (Mr. Gordon), as reported at page 6552, said this:

These holdings—

That is, that part of the national debt held by the Bank of Canada:

—comprise 14.6 per cent of the total government securities outstanding at June 30, 1964.

A little further on he says:

The total income of the bank was \$127,851,000, and the net income paid to the consolidated revenue fund was \$116,386,000.

So we see that this is true. The proposal I want to put forward here is simply this. If the Bank of Canada can hold 15 per cent of the debt of Canada, why can it not hold all of the debt of Canada except that which is held directly by Canadian citizens themselves? If we did this, we would be eliminating at least \$1 billion of this \$1,100 million that we are paying in interest on the national debt at the present time. There is no reason at all why the Bank of Canada cannot be used for the benefit of the nation and for the benefit of the Canadian people. It is true that such a program would have to be brought about gradually, but here is the key to one of the most important reforms that must be brought in if we are going in any way to meet the challenge of distribution which is now our basic responsibility.

The function of the Bank of Canada is basic to an effective and sound economy. It can be the tool which can strengthen and stabilize our national economy. It can be

[Mr. Thompson.]

the means of solving most of the economic and financial problems that we now face. It is imperative that the Bank of Canada be responsible for the maintenance of an equilibrium between the purchasing power in the hands of the population and the turnover of retail trade and services. The amount of money and credit in circulation must be maintained at a level required to assure a normal turnover and distribution, because our economy is growing and must increase year by year. Therefore, Mr. Speaker, I would say there is an urgent need for bringing in those necessary adjustments to the Bank Act that will permit this to be done.

I think one of the most urgent needs as far as the farmers of Canada are concerned is a two-price system for the agricultural production of the country, and other primary production. The Canadian agricultural industry cannot now, or in the future, compete with other subsidized agricultural programs such as they have in the United States. Neither can it, because of the high cost of production and operations, compete with agricultural production in countries like Australia, the Argentine or France, where the cost of operation is much less. The agricultural industry in Canada must be insulated from these outside pressures over which it has no control. The only way it can be done is by setting up a two-price system, even though the Minister of Trade and Commerce (Mr. Sharp) said the other day that he did not think it was the answer. This can be done by making effective use of the Bank of Canada. I would suggest, therefore, the setting up of an import-export branch of that bank in order that the export of our surplus primary products can be financed in such a way that we can maintain a two-price system. As long as there are hungry people in the world we must do our share in meeting their needs. That is why I say there is an imperative need for an upgrading of the whole price structure for the producer of primary goods.

Closely allied in such an arrangement is the necessity for a new basis of international settlements. The gold standard as it now operates on the international scene is just as inadequate and unable to function as was the gold standard on the national scene 30 years ago. I think this is one of the areas in which we must take the lead in convincing the rest of the world that it is only as we set up a new arrangement for international settlements that we are ever going to accom-