

Bank of Canada Act

My deposits, not those of the Minister of Finance, not the money or deposits of the Canadian people.

—is by purchases and sales of government securities. Payment by the central bank for the securities it purchases in the market adds to the cash reserves of the chartered banks as a group—

Which means that if the central government, if the Minister of Finance issues a million-dollar bond, it adds to that immediately.

If the Bank of Canada buys these bonds, this increases the reserves of all the Canadian chartered banks. So they are allowed to created \$12,500,000 for each million in bonds. Where do those \$12 million come from? From whom do the chartered banks borrow these \$12 million? From nobody at all, but they are allowed to put into circulation \$12 million and a half of new credits and this does not affect the deposits of the customers, but that is authorized by the government issuing one million in bonds. That is the way it is.

Mr. Chairman, when paying for the securities which it buys on the market, the Bank of Canada adds to the reserve of all the chartered banks and allows them to increase their assets and their deposit liabilities.

On the other hand, when paying to the bank the securities which they sell, the chartered banks reduce their reserves and must reduce also their assets and their deposit liabilities.

Such is the economic cycle which is announced to us seriously from time to time. When the Bank of Canada buys government bonds or securities, thereby allowing chartered banks to expand credit in Canada, the standard of living is improved and a new stimulus is applied to the Canadian economy. When the Bank of Canada decides to sell securities to the government, credit then becomes tighter. That is the explanation of those economic and financial cycles.

And, Mr. Chairman, what do we say to the Minister of Finance? Series of bankruptcies stem directly from that system. We suggest that the Minister of Finance amend the Bank of Canada Act, and we would be ready to pass such a piece of legislation. Parliament is fully empowered to pass the required amendments so as to put the Bank of Canada at the service of the country, rather than at the service of the chartered banks, and to prevent the Bank of Canada from being hog-tied to the Canadian banking

[Mr. Caouette.]

system. Even though the minister says that this system is the most appropriate for us, he knows that this system is not in keeping with the present needs of Canada. All departments are short of credit and money, be it the Departments of Labour, National Defence, National Health and Welfare, they all claim: we need money.

Mr. Grégoire: May I put a question to the hon. member?

Mr. Caouette: Yes.

Mr. Grégoire: Is the hon. member aware that the hon. Minister of Finance said before a committee on February 6, last:

I was not concerned about a shortage of money or credit; perhaps I will be in the future, but until now it never worried me.

Has the hon. member heard of this statement made by the hon. Minister of Finance?

Mr. Caouette: I knew about it because the hon. member referred to this answer earlier, although it is entirely false since the hon. member himself keeps saying and repeating, when we ask for increases, for instance, in the field of old age security, or family allowances: we do not make money, we have only two means at our disposal, in the government. There is no magic formula. Indeed. The only way lies in borrowing and taxation. That is all the Canadian government as such can do.

Mr. Chairman, the hon. minister knows only too well that nothing prevents parliament from amending the Bank of Canada Act to enable it to finance public undertakings without interest, as the hon. member for Lapointe (Mr. Grégoire) stated earlier. The hon. minister knows that it is even our duty to do this. Nothing stands in the way, or rather, yes, something prevents it; pressure from the financial world prevents it.

• (8:30 p.m.)

But the minister is aware that we could use the Bank of Canada to make financially possible the development of the public sector either in the federal, provincial, municipal or school areas. The minister is aware of this.

And let the private sector continue to seek financing from the present sources, from the chartered banks. We have no objection to this. But why ask and require the governments at various levels—federal, provincial,