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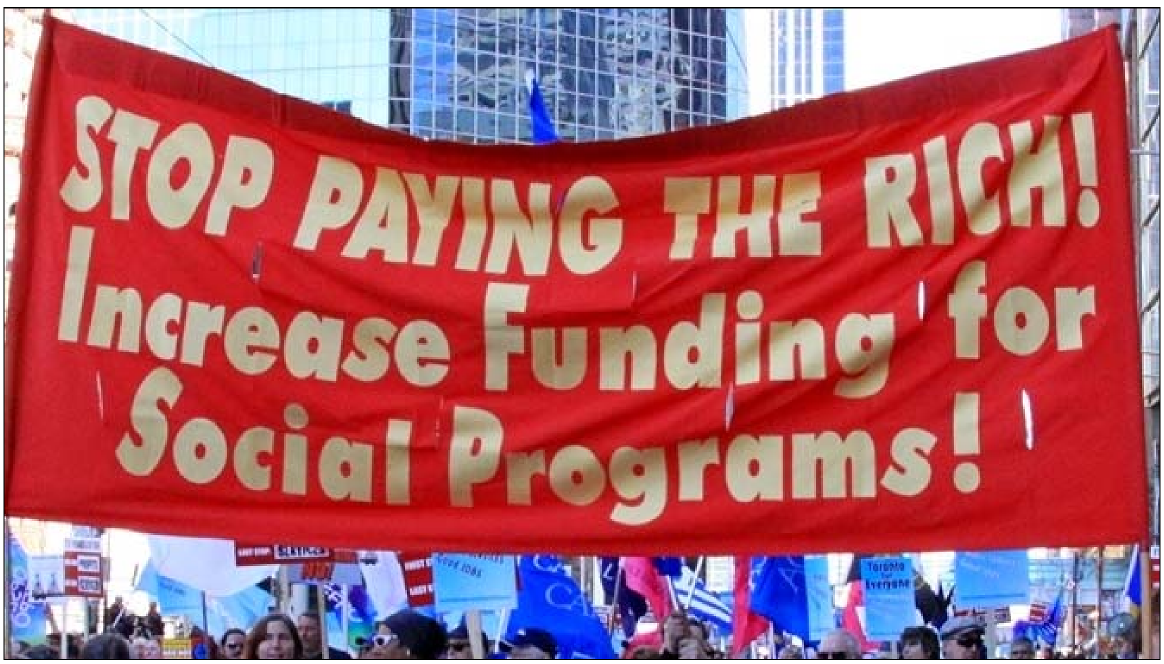
Discussion of Government Borrowing from the Financial Oligarchy and Other Imperialist Public-Private Partnerships



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Discussion of Government Borrowing from the Financial Oligarchy and Other Imperialist Public-Private Partnerships

Government borrowing from private lenders of the financial oligarchy further concentrates wealth, power and control in fewer hands. This is a feature of state imperialism, where the financial oligarchy uses governments and the agencies of the state to defend and extend into every cell of the economy and society the power, wealth and control of the dominant oligarchs.

The federal, Quebec, provincial and territorial governments collectively owe the global financial oligarchy around $1.3 trillion. This amount is projected to rise dramatically with public borrowing from private lenders during the present crisis. The question has to be posed forcefully: Why do governments borrow from private lenders? Much of the borrowed money is then channeled back to the private lenders in bailouts to their companies and in government funded projects such as big infrastructure projects and ongoing business arrangements through imperialist public-private partnerships in almost every sector, such as the service sectors of education and health care, and the various levels of the police and military. When Canadians think of public health care, they generally do not realize that the financial oligarchy profits from much of the sector through selling pharmaceuticals and supplying, at a hefty price, whatever material hospitals, require to function including the buildings.

The question should be posed: if the oligarchs have all this available cash to lend to governments, why do they need bailouts and why do they not invest the money they control directly into their own or other businesses and the economy?

As the article in this week's issue of *TML Weekly* "Foxes in the Henhouse -- Who Decides Where Bailout Money Goes?" reveals, the U.S. and Canadian public authorities are putting powerful members of the financial oligarchy in control of where much of the trillions in pandemic bailout money are to go. Corruption is endemic to the present direction of the economy and it must be stopped!

To put the situation in perspective, the servicing of the public debt to the financial oligarchy is only marginally less than the total corporate income tax paid to governments. Small and medium-sized companies pay the vast majority of corporate income tax, which is based on their declared profit. The big companies of the financial oligarchy are notorious for hiring armies of tax accountants to avoid paying taxes using shell companies, offshore tax havens and other corrupt methods. Working people through personal income tax, sales taxes and user fees pay the vast majority of taxes. Corporate income tax accounted for only 15.2 per cent of federal government revenue in 2018-19, much of it from small and medium-sized companies, while personal income tax was 49.3 per cent of the total with sales taxes making up much of the rest.

Canadians should discuss why the current direction of the economy uses the state and its governments to pay the rich and does not serve the people as a matter of principle. Should the use of public institutions and money by powerful and already wealthy global individuals and their companies not be considered criminal corruption of the worst kind? Should this corruption not be stopped as a first step in a new pro-social direction for the country?

Many commentators make much about the inequalities of Canadian society and the domination of the one per cent over the rest of the people and the inability of those currently in control to solve social problems and end the regular economic crises that occur. Working people are made to bear the burden of social problems and the recurring economic crises while the financial oligarchy carries on with handouts from governments to ensure their private empires survive along with their vast personal wealth and luxurious lifestyles.

Canadians should think about a new direction for the country that makes illegal the use of public funds and institutions to pay the rich and their private companies. After all, working people through their work on the means of production create the value in the economy. They are the necessary human factor for the economy to function. Should not their well-being and the health of the economy and society and the social and natural environment be the overall aim of a modern economy? Why in this 21st century is the aim of what is now a completely socialized economy still maximum private profit for the few?

The private companies would not exist without buying the capacity to work of educated and healthy workers. Those workers create the social wealth but have no control over how the wealth is used, where most of it goes or the essential aim driving the economy. This lack of control and outdated aim are major reasons why problems are not solved and a new direction not discussed or acted on, and instead governments flog a dead horse by paying the rich.

Should not private companies be told that they live or fall on their own merit? Further to this, they should be told that they must pay for all the social programs, public services and infrastructure that make possible their economic activity and without which they could not exist. Public funds should be used exclusively to fund social programs and public enterprise and services. Public funds going to private enterprise should be banned as criminal corruption just as public borrowing of private funds from the global financial oligarchy should be banned.

Stop Paying the Rich! Stop the Corruption!
Increase Investments in Social Programs and Public Enterprise and Services!
Let's Discuss!

Who Benefits from Government Debt to the Financial Oligarchy?

Government debt is mostly held by the private institutions of the financial oligarchy. In lending money to governments, the dominant oligarchs of the ruling elite benefit in several ways.

The rich can park their money in a safe haven for a short or long term and even receive interest for doing so. This is particularly important for the rich during crises such as the current COVID-19 pandemic when other investments are risky or they have pulled money out of the stock market and have excess cash on hand. The government in turn provides bailouts and buys company paper securities that are not saleable at a particular time to private buyers because of the risk involved. The oligarchs have it numerous ways! This is the public-private partnership in action to serve the rich.

The government receives money from this private borrowing that is then used in pay-the-rich schemes as handouts to the financial oligarchy and its businesses. Examples are the handouts to large corporations during the pandemic or the recent federal government's $4.5 billion buyout of the Trans Mountain Pipeline and the Alberta government's $7 billion injection of funds into the Keystone XL pipeline project. Both those projects could not raise private investment funds. Government money is routinely used to finance large infrastructure projects in which the biggest private construction and management companies participate and gain guaranteed profits.

The existence of government debts is used for propaganda purposes to reduce spending in social programs that directly benefit the people. Governments and their mouthpieces in the media scream that they need $60 billion yearly to service the public debt held by the financial oligarchy, which constrains and even contracts spending in social programs. What a self-serving farce!

The necessity to borrow from private interests is presented as the only alternative for governments to raise money as the financial oligarchy considers taxation of the value its workers produce within its private business interests as detrimental to the economy. A compliant media it controls do widespread propaganda for this regressive view.

The financial oligarchy refuses to pay for the public infrastructure it uses that benefit its business activities, such as public highways, bridges, public education and health care and mass transit etc. The building of the infrastructure makes huge profits for big business while much of the payment for these necessary investments in a modern economy fall to the public purse without revenue returning to the governments from the economic activity they engender and the value they produce.

The issue is never broached in the imperialist media and education system that government debt to private interests is completely unnecessary, wasteful and harmful. The state could borrow from itself and repay the debt from the added-value workers create in an expanding and stable economy. If the government used the money borrowed from itself to invest in public enterprise then the increased value and income from those enterprises would quickly repay the debt and more, making the increased value available for investments in social programs as well as providing stable employment for workers.

The financial oligarchy refuses to recognize its social responsibility towards the working class that it employs and that payment for its capacity to work must include its constant healthy reproduction. The working class fulfils its duty to work and has the right to receive payment for the use of its capacity to work from birth to passing away at a modern acceptable standard of living.

This means in practice that the economy must continue payments for the capacity to work of the working class when unemployed or unable to work due to injury, sickness or old age as long as workers fulfill their duty to be available for work when able and called upon. For this arrangement to work, the financial oligarchy must recognize that at this time in history it controls the economy and as such bears the social responsibility to ensure the rights of the working class are guaranteed and maintained at all times. If the dominant ruling oligarchs refuse to recognize and fulfil their social responsibility to the working people, then the ruling elite must be forced to step aside so the people can build the New.

If the working class gains control of the economy, then the relation between the duty to work and the rights of the working class assume an entirely new dynamic within a new aim for the economy to serve the people and to activate the human factor/social consciousness to humanize the social and natural environment.

Stop Paying the Rich!
No to Government Borrowing from the Financial Oligarchy!

Government debt to private investors has long been a regressive feature of the imperialist economy. The working class must expose the ways in which the financial oligarchy benefits from lending its money to governments and propose a new direction for the economy that favours the working people.

To cover the additional government spending during the present crisis, governments estimate they will have to borrow around $315 billion from private sources. This will cause government debt to expand greatly and become fodder in the imperialist media attacking the necessity to increase investments in social programs and public services, which the people require for a modern cultured standard of living. The working class must prepare now to denounce the hysteria that will arise from the increased deficits and debts of all the governments. Working people must not allow the imperialist propaganda to go on without exposing and denouncing it and showing how in fact the financial oligarchy benefits from state debt in so many ways. Organize and fight for a new pro-social direction that favours the people!

***No to Government Borrowing from the Financial Oligarchy!
Stop Paying the Rich! Increase Investments in Social Programs
and Public Enterprise and Services!***

Note

Public government debt to the global financial oligarchy and the associated servicing costs keep growing year after year. As the figures reveal, the growth is greatest following the regular economic crises such as those of 2008, 2014 and the projected billions to be borrowed this year.

		B.C.	ALTA[3]	SASK[4]	MAN[5]	ONT	QUE	N.B.	N.S.	P.E.I.	N.&L.	Federal[2]
	Last updated	11-Sep-17	23-Aug-17	22-Mar-17	19-Sep-17	07-Sep-17	28-Mar-17	25-Aug-17	26-Sep-17	07-Apr-17	06-Apr-17	19-Sep-17
Actual (no adjustments made with respect to accounting or other changes)	1981-82	-1,404	-8,252	-1,092	1,436	13,755	12,569	1,056	1,356	103	2,042	107,622
	1982-83	-420	-7,463	-712	1,857	16,942	15,038	1,444	1,875	129	2,144	136,671
	1983-84	592	-7,229	-346	2,512	20,182	17,297	1,709	2,285	125	2,421	157,252
	1984-85	1,586	-7,219	65	3,144	22,848	21,454	1,967	2,749	129	2,718	194,419
	1985-86	2,553	-11,817	666	3,861	28,919	25,734	2,147	3,235	149	3,023	227,808
	1986-87	3,714	-7,784	1,965	3,767	31,531	28,716	2,588	3,504	163	3,150	257,650
	1987-88	3,762	-6,419	2,517	4,415	34,020	31,115	2,919	3,756	179	3,289	286,667
	1988-89	3,533	-4,412	2,885	4,332	35,499	32,819	2,993	3,947	191	3,195	314,614
	1989-90	5,538	-2,296	3,316	4,449	35,409	34,583	3,013	4,454	199	3,369	343,757
	1990-91	6,312	-464	3,688	4,773	38,438	37,558	3,236	4,731	219	3,550	377,656
	1991-92	8,843	2,165	5,999	5,216	49,368	41,885	3,603	5,426	269	3,918	409,975
	1992-93	10,529	7,054	6,587	6,378	61,796	46,914	5,297	7,288	351	4,270	448,994
	1993-94	11,507	8,313	7,769	6,806	80,599	51,837	5,810	8,120	772	6,453	487,524
	1994-95	11,954	7,355	7,641	6,901	90,728	57,677	5,889	8,514	990	6,831	524,156
	1995-96	12,162	6,255	7,622	6,854	101,864	61,624	5,850	8,715	986	7,121	554,162
	1996-97	12,338	3,728	7,215	6,474	108,769	64,833	5,783	9,139	990	7,254	562,881
	1997-98	12,515	1,089	7,180	9,719	112,735	88,597	5,788	9,290	997	7,301	559,922
	1998-99	21,914	63	7,152	9,926	114,737	88,810	5,992	10,298	990	7,851	554,143
	1999-00	22,966	-2,654	7,069	10,046	134,398	89,162	7,056	11,231	1,024	8,087	539,885
	2000-01	23,136	-9,042	7,011	9,888	132,496	88,208	6,915	11,370	1,036	8,437	519,994
	2001-02	24,797	-9,814	8,708	10,001	132,121	92,772	6,759	12,144	1,053	8,932	511,946
	2002-03	27,691	-11,696	9,284	10,341	132,647	95,601	6,865	12,226	1,178	10,616	505,325
	2003-04	28,876	-15,607	9,318	11,052	138,816	97,025	7,067	12,328	1,313	11,487	496,180
	2004-05	27,152	-20,398	8,600	11,101	140,921	99,042	6,943	12,305	1,330	11,888	494,717
	2005-06	27,040	-28,318	7,870	10,952	152,702	104,683	6,901	12,239	1,323	11,684	481,499
	2006-07	24,513	-36,047	7,430	10,800	153,742	124,297	6,714	12,357	1,312	11,558	467,268
	2007-08	23,811	-39,410	5,873	10,561	156,616	124,681	7,069	12,115	1,347	10,188	457,637
	2008-09	26,160	-36,954	3,524	11,413	169,585	134,237	7,539	12,318	1,415	7,968	463,710
	2009-10	29,372	-33,017	3,560	11,643	193,589	151,608	8,545	13,045	1,581	8,220	519,097
	2010-11	32,279	-28,114	3,783	12,490	214,511	159,289	9,623	12,827	1,709	8,129	550,327
	2011-12	36,024	-26,728	4,543	14,478	235,582	167,111	10,071	13,383	1,908	7,837	583,576
	2012-13	37,966	-22,741	5,109	15,766	252,088	175,487	11,041	13,942	2,040	8,348	609,391
	2013-14	38,731	-13,032	4,615	17,217	267,190	181,261	11,666	14,762	2,099	9,085	611,881
	2014-15	38,609	-13,054	5,552	19,446	284,576	185,687	13,118	15,031	2,134	10,330	612,330
	2015-16	39,597	-3,881	7,899	21,371	295,372	185,025	13,660	15,076	2,183	12,650	616,000
	2016-17	37,795	8,901	10,643	22,693	301,648	185,214	13,997	14,955*	2,196	14,251	631,899
Projected	2017-18	42,919	22,095	12,244	24,772	311,921	186,503	14,323	15,060*	2,220	15,234	665,500
	2018-19	44,995	35,320			323,300	186,992		15,178*	2,239		692,900
	2019-20	47,185	45,157			335,900	186,935		15,268*	2,232		716,300
	2020-21						185,595		15,485*			738,100
	2021-22						183,740					756,900

[1] Public accounts basis. Numbers are based on reports from individual governments and, due to accounting and/or reporting differences, are not strictly comparable between provinces.

[2] Accumulated deficit

[3] 2013-14 figures onwards are presented on a consolidated basis as current Alberta government framework

[4] Numbers for years prior to 2001-02 in Saskatchewan are on a General Revenue Fund (GRF) basis and not comparable to other years.

[5] Numbers for years prior to 2010-11 in Manitoba are not comparable to other years.

* Recently revised or added.

Source: Fiscal reference tables (Department of Finance Canada), various provincial budgets, budget updates and public accounts.

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Canada's Federal Debt

Following WWII, Canada's federal debt grew steadily between 5 per cent and 10 per cent per year until 1975. For the next 12 years it grew on average over 20 per cent per year. It surpassed $100 billion in 1981 and continued upward reaching $500 billion in 1994.

With the economic crisis in 2008, the federal debt jumped by $5.8 billion surpassing the $600 billion mark by 2012. The current crisis is predicted to add the largest amount ever in debt to the private lenders of the financial oligarchy.

Table 1: Federal and Provincial Nominal Net Debt in 2007/08 Compared to 2019/20 ($ billions)

Province/ Territory	Net Debt 2007/08	Net Debt 2019/20	Change ($ billions)	Change (%)
BC	23.9	44.5	20.6	86.3%
AB	(35.0)	36.6	71.7	204.5%
SK	5.9	12.0	6.1	104.2%
MB	10.6	25.8	15.2	144.3%
ON	160.0	353.7	193.7	121.0%

QC	124.7	172.5	47.8	38.4%
NB	7.1	13.8	6.8	95.6%
NS	12.1	15.3	3.2	26.1%
PEI	1.3	2.2	0.9	66.6%
NL	10.2	14.0	3.8	36.9%
FED	516.3	793.7	277.4	53.7%
FED+ PROV	837.0	1,484.2	647.2	77.3%

Sources: Figure 1; calculations by authors. Fraser Institute

(Source: Annual Financial Report of the Government of Canada Fiscal Year 2018-2019)

Foreign Ownership of Government Debt

The global financial oligarchy owns the government debt of the countries within the U.S.-led imperialist system of states.

In 1960, four per cent of the Canadian government debt was held by foreign investors.

From 2009-2010 to 2013-2014, the amount of the debt held by foreign investors passed from 15 per cent to 27 per cent with a peak of 30 per cent in 2012-2013.

This compares with percentages of foreign investors from the global financial oligarchy holding debt in most of the G7 countries. In 2013-2014 foreign ownership of government debt was 64 per cent in France, 65 per cent in Germany, 48 per cent in the United States, 33 per cent in Italy, 29 per cent in the United Kingdom, and 8 per cent in Japan.

(Source: Wikipedia)

Statistics Canada on the Role of Government in Canada's Economy

The general government sector is an important component of Canada's economy, representing roughly one quarter of economic activity. In 2009 it accounted for $345 billion of final consumption expenditure and $72 billion of gross fixed capital formation expenditure, together comprising 26.6 per cent of gross domestic product. In that same year average employment in educational services, health care, social assistance and public administration was 3,792,968 persons, equivalent to 26.0 per cent of total employment.

(User Guide: Canadian System of Macroeconomic Accounts)

Service Charges Paid on Government Debt

Servicing charges paid on government debt held mostly by private institutional interests of the global financial oligarchy varies with the governments involved and the type of security.

Note: CGG stands for the consolidated Canadian general government (CGG), which combines the federal, provincial-territorial and local governments.

PTLG stands for the consolidated provincial territorial and local governments (PTLG).

In 2018, the CGG paid 7.4 cents in interest charges for every dollar of revenue received, down slightly from 7.5 cents in 2017. Interest expenses accrued on debt liabilities totalled $61.3 billion for the year. (Commonly called debt charges in government accounts.)

Despite an increase of 56.1 per cent in total liabilities since the 2008 financial crisis, the ratio of 7.4 cents per dollar of revenue is significantly down from 10.1 cents per dollar of revenue in 2008 due to historically low interest rates on the outstanding debt to the financial oligarchy.

The federal government paid 7.0 cents in interest for every dollar of revenue received in 2018, compared with 6.5 cents for PTLG. Quebec (9.9 cents), Manitoba (9.6 cents) and New Brunswick (7.1 cents) spent the most on interest per dollar of revenue in 2018.

(Source: Statistics Canada)

Banks of the Global Financial Oligarchy

The working class should not overestimate the importance of the banking system and related institutions, as the financial oligarchy invariably does. Almost all produced goods and services within the imperialist economy must be sold before they can be used. The necessity to circulate all goods and services in the imperialist commodity economy as exchange-value before being used means that currency and electronic services to realize commodities are important. This places a high degree of importance on the financial institutions, which in reality are not productive and require value from the productive sectors to operate. A new direction for the economy where goods and services are produced according to a plan, are used directly as produced and needed and do not have to circulate would eliminate much of the current role of currency and other means to realize goods and services.

Under imperialism the banks and other institutions of the financial oligarchy have extended their role into parasitic activities of the worst kind. These activities mostly deal with the re-division of already-produced value increasingly disconnected from the actual production and circulation of goods and services and should be viewed and denounced as criminal corruption.

The primary role of banks is to act as a repository of the value the working class has produced through work. From this role the banks can serve as a clearinghouse for the circulation and exchange of goods and services in cash, cheques and electronically. As a holder of value, they also have a role as lender of already-produced value to individuals and businesses.

Banks have long strayed from their primary role into speculation and other parasitic activities aided by governments through the proliferation of stock and commodity exchanges. Through an insider arrangement, the owners of the Toronto Stock Exchange some time ago were given the exclusive right to handle the sale of government securities greatly expanding their cartel now called TMX Group.

Banks have been accorded the right to create money by lending in practice far more than they hold in deposits. The creation of money should be a public activity controlled exclusively by government, which should be completely transparent and for which the public authorities in charge are fully accountable. The creation of money through the private banks of the financial oligarchy is a practice that serves the narrow private interests of the rich and goes against the broad public interests of working people. The ruling elite have even put a target of creating yearly price inflation of at least 2 per cent for goods and services so that the price the working class receives for selling its capacity to work is constantly under downward pressure and workers are forced to play catch-up to maintain their standard of living.

The working class should demand that all special rights accorded banks through legal regulations and charters be rescinded and that governments at all levels sever their relations with the private financial institutions. This includes the severing of any relation with private lenders and institutions with regard to government borrowing. Governments should borrow from themselves when necessary without any connection whatsoever with the private institutions of the financial oligarchy. The repayment of government debt to itself should be based on the working class creating new value from its work within the Canadian economy. Public government borrowing must be completely transparent and justified and for which the public authorities are accountable.

All servicing of outstanding government debt must cease immediately. A public investigation should be conducted as to the legitimacy of the public debt, why and for what purpose governments sold securities to private institutions of the financial oligarchy, and how much has already been repaid in debt charges. The inquiry should decide how much of the principal should be paid. Absolutely no new interest should be paid under any circumstances for existing debt and absolutely no new securities should be sold to the private institutions of the financial oligarchy.

Public service banks should be formed that serve their primary role as repositories of value, clearinghouses for the circulation of goods and services and to lend money to individuals and businesses. The working class and its collectives should withdraw their savings from all private institutions of the financial oligarchy and deal only with public banks or those financial institutions that the working class may organize itself.

Banks should be viewed as providing a public service to the economy and people over which the people must exercise control and demand accountability. The working class provides banks with value as money through their individual savings and checking accounts and in other collective ways such as pension funds. The demand that banks operate in an open and aboveboard manner free of corrupt practices can be accomplished if workers themselves exercise control over their savings and financial institutions and public banks are created and forced to be transparent and accountable for their actions.

Discussion should begin on how to mobilize the savings and pensions of the working class to serve the interests of working people and society and not the narrow private interests of the financial oligarchy. Discussion and actions on the front of banking forms part of the movement for a new pro-social direction for the economy outside and in opposition to the control of the financial oligarchy.

For Your Information

How the Bank of Canada Creates Money for the Federal Government: Operational and Legal Aspects

- Excerpts from Penny Becklumb and Mathieu Frigon, Economics, Resources and International Affairs Division -

Note that for the purpose of this publication, "money" means bank deposits. For the complete document ***click here***.

This paper explores the operational and legal aspects of how, by buying newly issued federal government bonds and treasury bills, the Bank of Canada creates money for the federal government. Information about how private commercial banks create money is also provided.

In its 2011 Budget, the Government of Canada announced its intention to borrow $35 billion over the next three years in order to increase its deposits with financial institutions and the Bank of Canada by about $25 billion and to increase liquid foreign exchange reserves by US$10 billion. The intention was to ensure sufficient liquid assets to cover at least one month of the federal government's net projected cash flows, including interest payments and debt refinancing needs.

In response, the Bank of Canada announced its intention to increase from 15% to 20% its minimum purchases of federal government bonds. The Bank of Canada's purchase of federal government bonds is a means by which the Bank creates money for the Government of Canada.

The Bank of Canada helps the Government of Canada to borrow money by holding auctions throughout the year at which new federal securities (bonds and treasury bills) are sold to government securities distributors, such as banks, brokers and investment dealers.

(Typically, private interests purchase 80% of the newly issued bonds and treasury bills) while the Bank of Canada itself purchases 20% of newly issued bonds and a sufficient amount of treasury bills to meet the Bank's needs at the time of each auction. These (Bank) purchases are made on a non-competitive basis, meaning that the Bank of Canada does not compete with the distributors at auctions. Rather, it is allotted a specific amount of securities to buy at each auction.

The Bank of Canada's purchase of government securities at auction means that the Bank records the value of the securities as a new asset on its balance sheet. The Bank simultaneously records the proceeds of (the government's) sale of the securities as a deposit in the Government of Canada's account at the Bank, (which becomes) a liability on the Bank's balance sheet.

No paper evidence of a bond, treasury bill or cash is exchanged between the Government of Canada and the Bank of Canada in these transactions. Rather, the transactions consist entirely of digital accounting entries.

Since the Bank of Canada is a Crown corporation wholly owned by the federal government, the Bank's purchase of newly issued securities from the federal government can be considered an internal transaction. [*This contrasts with the U.S. Federal Reserve, which acts as the Central Bank but is owned by a cartel of big private banks. TML Ed.*]

By recording new and equal amounts on the asset and liability sides of its balance sheet, the Bank of Canada creates money through a few keystrokes. The federal government can spend the newly created bank deposits in the Canadian economy if it wishes.

The Bank of Canada's creation of money for the federal government is achieved through de facto loans from the Bank to the government.

The *Bank of Canada Act* gives the Bank the power to "buy and sell securities issued or guaranteed by Canada or any province" as well as the power to "accept deposits from the Government of Canada and pay interest on those deposits."

Those two provisions empower the Bank to create money through the direct purchase of Government of Canada securities at debt auctions.

Private Commercial Banks Also Create Money

Private commercial banks also create money when they purchase newly issued government securities as primary dealers at auctions. (They do so) by making digital accounting entries on their own balance sheets. The asset side is augmented to reflect the purchase of new securities, and the liability side is augmented to reflect a new deposit in the federal government's account with the (private) bank.

(Also) every time (private) banks extend a new loan, such as a home mortgage or a business loan (they create money). Whenever a bank makes a loan (to a business or individual), it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new money. Most of the money in the economy is, in fact, created within the private banking system.

A key similarity between money creation in the private banking system and money creation by the Bank of Canada is that both are realized through loans to the Government of Canada and, in the case of private banks, loans to the general public.

One difference between the two types of money creation is that there is no external limit to the total amount of money that the Bank of Canada may create for the federal government. The amount of money that a private commercial bank is permitted to create depends on the amount of the bank's equity relative to its assets, which is set by the banking regulator in guidelines.

Another difference is that the creditworthiness of the borrower is the key factor in the decision by a private commercial bank to provide a loan to a private entity, while this is not a factor in the Bank of Canada's decision to lend money to the government.

Both private commercial banks and the Bank of Canada create money by extending loans to the Government of Canada and, in the case of private commercial banks, (also by) lending to the general public.

The Bank of Canada's money creation for the Government of Canada is an internal government process. This means that external factors, such as financial markets dysfunction, cannot cause the federal government to run out of money.

Note: In managing its balance sheet, the Bank of Canada acquires Government of Canada securities to offset its liabilities, which consist mainly of bank notes in circulation and deposits. The Bank typically acquires a fixed percentage of the amount of nominal bonds being auctioned, with the amount of treasury bills purchased reflecting the Bank of Canada s balance sheet needs at the time of each auction. Generally, the Bank of Canada s holdings of financial assets are driven by its role in issuing bank notes. The issuance of bank notes creates a liability for the Bank, the largest on its balance sheet. Government of Canada deposits typically represent the second largest liability for the Bank.

(Source: Library of Parliament, 2015 (excerpts))

Government of Canada Securities

The federal government and those of Quebec and the provinces and territories use financial instruments to borrow money from the global financial oligarchy. Institutional investors of the global financial oligarchy purchase the available government securities. Retail or individual purchase of government savings bonds was discontinued in 2017. Even prior to eliminating savings retail bonds, they only represented less than one per cent of the purchased securities.

Technical Guide (Government of Canada Securities)

Excerpts from ***here***

Fixed-Coupon Marketable Bonds

Effective October 1995 Government of Canada marketable bonds are issued in global certificate form only whereby a global certificate for the full amount of the bonds is issued in fully registered form in the name of CDS & Co., a nominee of the Canadian Depository for Securities Limited (CDS), (a division of a private cartel called TMX Group - Ed). The bonds must be purchased, transferred or sold, directly or indirectly, through a participant of the Debt Clearing Service, which is operated by CDS, and only in integral multiples of $1,000 (face value) . All Canadian-dollar marketable bonds are non-callable and pay a fixed rate of interest semi-annually.

Note: CDS Clearing and Depository Services Inc. (CDS) is a subsidiary of the Canadian Depository for Securities Limited, a for-profit corporation owned by the TMX Group. CDS owns and operates CDSX, implemented in 2003, which clears and settles eligible exchange-traded and over-the-counter equity, debt and money market transactions. CDS's depository service provides facilities to deposit and withdraw depository-eligible securities, manage related ledger positions, and use these positions for various business functions.

TMX Group claims assets of over $10 trillion. Found at https://www.tmx.com/tmx-group/tmx-group-companies

Legal Terms and Conditions for Government of Canada Domestic Nominal Bonds

Domestic Nominal Bonds (the "Bonds") are securities issued by the Government of Canada pursuant to Part IV of the Canadian *Financial Administration Act* ....

Status

The Bonds constitute direct, unsecured, and unconditional obligations of Her Majesty in right of Canada ("Canada"). Payments of principal of and interest on the Bonds are direct charges on, and payable out of the Consolidated Revenue Fund of Canada. The Bonds rank *pari passu* in all respects amongst themselves and with all other securities issued by Canada and presently outstanding.

Interest

The Bonds shall accrue interest from the issuance date ("Issue") to the date immediately prior to the maturity date ("Maturity"), as specified in the Specific Terms, inclusively ....

Redemption

Canada will redeem the Bonds at par on Maturity. The Bonds are not redeemable prior to Maturity.

Registration

The Bonds are registered only in the name of CDS & Co., as nominee of CDS Clearing and Depository Services Inc. ("CDS"), and are held by CDS in its record entry securities clearing and depository system. The Bonds are not represented by physical certificates but only by book entries in the records maintained by CDS. Interests in the Bonds held by participants in the CDS system (each, a CDS Participant) are represented through book entries in accounts established and maintained by CDS for each such CDS Participant, in accordance with the practices, rules, and agreements of CDS. CDS Participants may in turn maintain on behalf of other persons accounts in which such persons interests in the Bonds may be recorded.

Title, Transfer

Canada may treat CDS & Co. as the absolute owner of the Bonds for the purpose of receiving payment and for all other purposes. No beneficial owner of Bonds (each, a "Bondowner") will be shown on the records maintained by CDS other than a Bondowner who is a CDS Participant. The Bonds must be purchased, transferred, or sold directly or indirectly by or through a CDS Participant and all rights of Bondowners must be exercised through such CDS Participant.

Treasury Bills

Effective November 1995 all new issues of Treasury bills are issued in global certificate form only whereby a global certificate for the full amount of the Treasury bill is issued in fully registered form in the name of CDS & Co., a nominee of the CDS. Treasury bills must be purchased, transferred or sold, directly or indirectly, through a participant of the Debt Clearing Service, which is operated by CDS, and only in integral multiples of $1,000 (face value) ....

The Government of Canada also periodically issues cash management bills (CMBs). CMBs are Treasury bills with maturities of less than three months (they can be as short as one day) used as a source of short-term financing for the Government. CMB auctions can take place on any business day, typically for next-day delivery, but on some occasions for same-day delivery.

Treasury bills are priced at a discount. The return to the investor is the difference between the purchase price and the par value.

Government of Canada Real Return Bonds

Government of Canada real return bonds (RRBs) pay semi-annual interest based upon a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). The CPI, for the purposes of RRBs, is the all-items CPI for Canada, not seasonally adjusted, published monthly by Statistics Canada ....

At maturity bondholders will receive, in addition to a coupon interest payment, a final payment equal to the sum of the principal amount and the inflation compensation accrued from the original issue date, i.e. final payment = principal + ((principal x reference CPImaturity/reference CPI on Maturity / reference CPI on Issue) - principal).

These bonds must be purchased, transferred or sold, directly or indirectly, through a participant of the Debt Clearing Service and only in integral multiples of $1,000 (face value).

Canada Bills

Canada Bills are promissory notes denominated in US dollars and issued only in book-entry form. They mature not more than 270 days from their date of issue, and are discount obligations with a minimum order size of US$1,000,000 and a minimum denomination of US$1,000. Delivery and payment for Canada Bills occur in same-day funds through JPMorgan Chase Bank New York.

Primary distribution of Canada Bills occurs through four dealers: CIBC Wood Gundy Inc., Credit Suisse First Boston Corporation, Goldman, Sachs & Co. and RBC Dominion Securities Inc. Rates on Canada Bills are posted daily for terms of one to six months. Canada Bills are issued for foreign exchange reserve funding purposes only.

Canada Notes

Canada Notes are promissory notes usually denominated in US dollars and available in book-entry form. They are issued in denominations of US$1,000 and integral multiples thereof. At present the aggregate principal amount outstanding issued under the program is limited to US$10.0 billion. Notes can be issued for terms of nine months or longer, and can be issued at a fixed or a floating rate.

The interest rate or interest rate formula, issue price, stated maturity, redemption or repayment provisions, and any other terms are established by the Government of Canada at the time of issuance of the notes and will be indicated in the Pricing Supplement. Delivery and payment for Canada Notes occur through the Citibank, N.A.

The Government may also sell notes to other dealers or directly to investors. Canada Notes are issued for foreign exchange reserve funding purposes only.

Cross-Currency Swaps

A cross-currency swap agreement is a contract in which one party borrows one currency from another party and simultaneously lends the same value, at current spot rates, of a second currency to that party. Cross-currency swaps of domestic obligations are a cost-effective alternative to foreign-currency-denominated bond issues as a means of meeting the Government's targets for longer-term foreign currency funding.

(Source: Information on the various financial instruments issued by the Government of Canada and on the ways in which these are distributed, sold and taxed)

Official Government Information on the Economic and Fiscal Situation

Finance Canada Publications

- Budgets

Bank of Canada Publications

- Financial Statistics: information about the Bank of Canada rate, exchange rates, money market yields, GoC bond yields, etc.
- Weekly Financial Statistics: updated weekly.

Economic Research Sites

The following links are to sites of organizations or other entities that are not subject to the *Official*

Languages Act. The material found there is therefore in the language(s) used by the sites in question.

Primary Distributors

- BMO Nesbitt Burns: Economic Research
- Canadian Imperial Bank of Commerce: CIBC Economics and Strategy
- Deutsche Bank: Research
- Merrill Lynch: Research
- Prudential: Dr. Ed Yardeni's Economics Network
- RBC Dominion Securities: Global Markets
- Royal Bank: Economics
- Scotiabank: Expert Research and Analysis
- TD Bank: TD Economics

Comment

How the Imperialists Misuse the Word "Capital"

The imperialists have debased the word "capital." Their aim is to make the parasitism and decay of the imperialist economy appear as normal and capable of producing new value without the working class. The impression is given that the imperialists can create new value or social wealth out of nothing without setting in motion the working class in productive work.

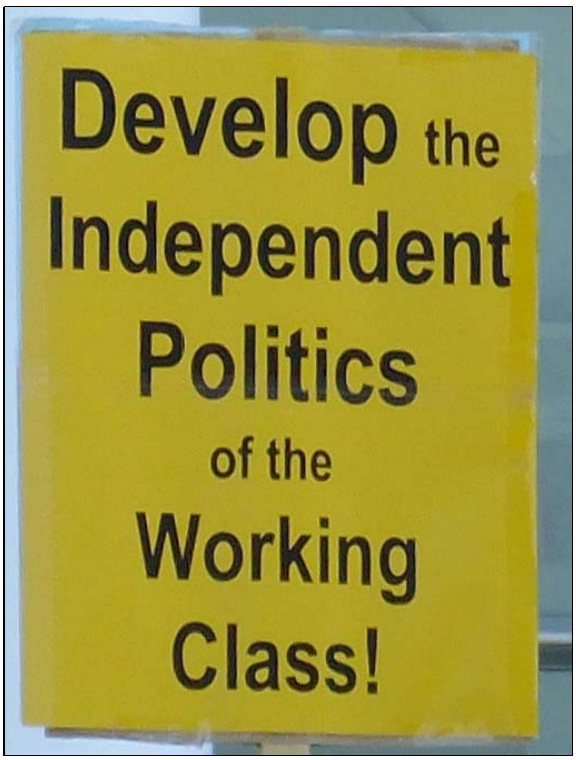
The fleecing of others of the already-produced value they possess or the re-division of already-produced value is presented as making money or creating new value. This glamorizes the parasitism of the stock market, other Ponzi schemes, gambling activities and the forcing up (or down) of the market prices of already-produced value such as oil or even land to suit narrow private interests.

The aim of the debasement of the language is to eliminate the working class in the collective and individual consciousness as the necessary human factor in the production of new value within a relation with already-produced value and those who control it.

The working class faces the issue of who controls the already-produced value with which it can produce new value. Under the imperialist system, the working class does not control the already-produced value and cannot enter into a relation with the value in a manner that suits working people and their families with an aim to meet their needs and that of society. At present, the working class enters into a social relation with an alien class or not-working class (financial oligarchy or imperialist class) that controls the already-produced value. This social relation is called capital.

The social relation capital is in crisis and needs to be replaced. The economic base of the social relation continually falls into crisis. Look at Alberta. For years, the imperialists in control of the already-produced value have said that the road to prosperity is for workers to produce more and more oil for shipment to the U.S. and beyond and this would secure their future. The result does not match the hype. Alberta is in crisis and workers face 25 per cent unemployment, businesses face bankruptcy and the people face the wrecking of social programs and public services. The imperialists in control refuse to admit that the direction and aim of the Alberta economy have to change.

The energy oligarchs cannot even control the market price of the precious natural resources the workers produce and are giving them away for a song to the U.S. imperialists. The response of those in control cannot be considered serious but only self-serving in the extreme. Firstly because they refuse to admit the imperialist system has failed and is in one crisis after another. They deny that the sellout of resources and their refusal to build a dynamic diverse pro-social Alberta economy are wrong and must be changed. What a joke to suggest the way out of the crisis is more of the same and endless handouts to the self-same energy oligarchs through buyouts of their failed projects such as the Keystone XL and Trans Mountain pipelines, and public payments to clean up the mess they have left behind such as orphaned wells.



The economic meaning of capital describes an unequal social relation between those who control already produced value and the working class, and that relation is in crisis and needs to be overcome with a new relationship of working people directly with already produced value.

Those who currently control already produced value are supposed to buy the capacity to work of the working class and put workers to work producing the new value the people and society need for their existence. The social relation in action can produce new value when workers are engaged in productive work but the working class has no control over how the new value is used and the relationship is in crisis and need of replacement. The aim of those in control for maximum profit is in contradiction with a modern socialized economy that needs cooperation and planning and an aim that favours the working people and social and natural environment not the narrow private interests of the few in control.

Already produced value, such as a factory, machine, oil or its representation in money, cannot produce new value on its own outside a social relation with the working class. For the working class to open a path to its emancipation it must seize control of the already produced value and enter into a new social relation with it without the interference and control of the not-working class (financial oligarchy or imperialist class).

Use of the Term "Capital"

The suggestion is not to use the term "capital" unless it specifically and clearly refers to the social relation between those who control already-produced value, the not-working class (financial oligarchy or imperialist class) and the working class, which sells its capacity to work to the not-working class in control of the already-produced value. Otherwise, as in most cases, the terms value, wealth, money, social wealth, means of production should be used.

Note

The term stock market "capitalization" is meant to give the impression that money or "capital" invested in the stock market can produce new value when the stock price goes up outside of a direct social relation with the working class or even any direct relation with any means of production. Conversely, the impression is given that value is lost when the stock price, its market price or "capitalization," goes down.

Even the term human capital is bandied about without any thought as to what it means other than perhaps potential value of some sort under the control of the not-working class (financial oligarchy or imperialist class).

This misuse of the word capital debases thinking on pensions as well. The social value within pension and many mutual funds represent the savings of workers of value they have already produced. Instead of that social wealth being put to work in a social relation with workers to produce new value within the home economy, it is mostly invested in the stock market or sent abroad. When the stock price goes up, everyone congratulates the managers of the fund as somehow creating new value. But this hides the truth that the stock price going up does not mean that workers have produced new value corresponding to the higher stock price and the company owns that much more already produced value and the shares represent that new value.

When shares are purchased on the stock market, the money goes to the seller of the shares; it does not go to the company listed as being behind the stock. The only time the purchase of stock goes to the company directly for investment is through an initial public offering or when the company issues more stock.

When a company buys back stock and delists the amount of stock it purchases, the company in effect disinvests value or drains value from the company, sending it to the sellers of the shares thus reducing or weakening the amount of already-produced value at the company's disposal to enter into a social relation with the working class, possibly to produce new value.

(To access articles individually click on the black headline.)

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