

Bank of Canada (BoC) uses language to hide the money creation process for Covid 19 relief.

This article is about transparency and alternate policy choices. The money created to loan to our commercial banking sector are simply keystrokes entered into a database, this new digital money doesn't come from anywhere! John Kenneth Galbraith famously said, "The process by which banks create money is so simple that the mind is repelled."

The "Bank of Canada announces successful launch of standing term liquidity facility", March 30, 2020. The BoC says, "under the STLF, eligible financial institutions can borrow from the Bank of Canada by pledging a broad set of collateral, including mortgages."

What they don't tell you is that they do not have 200 billion dollars lying around waiting to be lent out. Rather they simply add numbers into the commercial banks (CB) accounts (sometimes known as reserves) with the BoC. This improves CBs ability to fund new lending, whether commercial banks will actually provide low-interest loans to people that really need help is another question. This step will mainly help banks maintain capital requirements and financial institutions by increasing liquidity in the markets.

In a Bank of Canada Working Paper 2013-41 published in November 2013, "Central Bank Communications Before, During and After the Crisis: From Open-Market Operations to Open-Mouth Policy" by Ianthi Vayid of the Communications Department Bank of Canada says in his abstract, "The days when secrecy and opacity were the bywords of central banking are gone." However, when it comes to revealing the reality of how the money creation process works they are as tight-lipped as ever.

Coincidentally, the BoC has stopped publishing its monthly assets and liabilities balance sheet. The BoC posted an alert, due to the exceptional circumstances related to the current COVID-19 pandemic, there may be a delay in the posting of certain data submissions to the website. During this period, the Bank of Canada will be committed to posting data submissions as soon as practicable. We will return to our regular release schedule once conditions permit.

What are the exceptional circumstances? Even though there is a crisis why hide what they are doing as lender of last resort? Is it that maybe during this money creation process the BoC may not be able to properly balance their statements? BoC will return to their regular release schedule once conditions permit. I suppose once they are satisfied that no controversy will follow. Albeit, who knows, so much for transparency. BoC Last month's balance sheet is still available for Feb. 1 <https://www.bankofcanada.ca/rates/banking-and-financial-statistics/bank-of-canada-assets-and-liabilities-month-end-formerly-b1/> .

In addition to relief for banks the BoC could create new money for direct transfer payments from the federal government to the general public. A report published by CCPA authored by David MacDonald, their head economist suggests improving access and benefits to Employment Insurance to cope with quarantining of workers.

https://www.policyalternatives.ca/sites/default/files/uploads/publications/2020/03/CCPA%20Report_COVID19%20and%20the%20Canadian%20Workforce.pdf

EI is the most readily available transfer payment system the government has in place for this purpose, although the article does not say where the extra funding should come from.

I have attempted to get the BoC and commercial banks to be forthright about how money creation works through the loans process for years. It's been like trying to pull teeth with a pair of tweezers. I have recently released my email communications with the BoC and the Office of the Superintendent of Financial Institutions (OSFI) the regulatory body for commercial banks <https://progressivemoney.ca/communications-boc%2Fosfi> . I have summarized what I believe to be the most relevant portions of the text, however, the complete email threads are available to anyone that wishes to cipher through them.

The reason why it is important to understand how the money creation process works and who benefits by it, is necessary if we ever hope to improve the existing system to benefit the majority of us rather than the few. <https://progressivemoney.ca/letter-to-parliament>

If we as a people had more control over what money is created for and how it is distributed, a crisis like the Covid 19 pandemic could be more easily be addressed.

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