

be personal opinion which would not be worth very much. I think that it must obviously be related for one thing to the level of employment and for another to the situation in the farm sector. Now, how to define what would be the ideal in both those major fields is very difficult. Everyone will have their own view.

Q. Going back to the Canadian Bank of Commerce statement which I just read from their February 19, 1954 letter, what does Mr. Towers recommend as a means of getting purchasing power quickly and directly, let us say, into the hands of ultimate consumers so that they, through effective demand, can do the job of halting a downtrend?—A. There is no easy answer to that, Mr. Low, because it depends upon the following things: the three great factors are the level of capital investment, the level of personal and corporate saving, and the level of exports.

Q. Of course, some monetary action might be taken as well?—A. Monetary action may have a bearing on the level of investment, yes.

Q. If the Bank of Canada felt it had an effective mechanism for stopping a downtrend let us say at a point reasonably close to a point of equilibrium, might our central bank not be more vigorous, in the action it would take to stop inflation?—A. Would you repeat that, Mr. Low?

Q. If the Bank of Canada felt that it had an effective mechanism for halting a downtrend at or near a point of equilibrium, would it not be more vigorous in what action it would take to stop inflation?—A. Do you mean more vigorous on the downside than on the other?

Q. No, more vigorous on the upside.—A. More vigorous in trying to promote the upside?

Q. No, more vigorous in trying to prevent an inflationary trend?—A. Oh, I wouldn't think so, no. I think that the degree of vigour on the other side would be at least equal.

Q. How far does the economic situation have to deteriorate before the government should step in to provide the supplementary action; that is, supplementary to the monetary action which you spoke about on Tuesday while you were being questioned by Mr. Macdonnell?—A. I think that is only a question which the government can answer, Mr. Low.

Q. Well, my only comment on that point is that I think you spoke of a sort of "assist" position which the Bank of Canada takes through its monetary means and that it has to travel in double harness pretty well with government action?—A. Yes.

Q. I will not press that point, I can asked it of Mr. Abbott when he is here, perhaps, but evidently it is not considered—and I do not say this by way of criticism, but by way of observation—evidently it is not considered that that point has been reached yet, although unemployment is now really serious and it is beyond the seasonal degree. However, the question I have, and this is one you can answer, Mr. Towers, is this: when the government does decide to take supplementary action to halt the downtrend, would you agree they should not depend entirely on taxation and borrowing the savings of the people to halt the trend?—A. I do not think I could answer that question, Mr. Low, because a categorical answer—forgive me if I say so—in response to a hypothetical question is a difficult thing to make. For example, if one said the government should have a deficit, the question would be, is the situation and the time such as to necessitate that? How big should it be, and so on and so forth. Therefore, no categorical answer can be made.

Q. But it might possibly be wise to use some credit expansion?—A. The policy of the central bank in the vent of a serious downtrend would encourage, although not guarantee, credit expansion.