Mr. Gilbert: Mr. Chairman, the Minister of Finance and other hon. members have been treated to Social Credit theories for the last three hours, and I thought I could possibly direct our attention back to the amendments contained in Bill C-190. My colleague the hon. member for Nanaimo-Cowichan-The Islands set forth the position of the New Democratic Party with regard to the amendments contained in this bill. I will deal with a few of the gaps that were left.

• (9:10 p.m.)

He indicated our support for the amendments, the main one being contained in clause 6, which deals with section 14 of the act. This defines the relationship between the Bank of Canada and the government with regard to the responsibility for monetary policy.

According to the explanatory notes to the bill, there is a process of continuous consultation between the government and the bank in this regard, and a procedure is provided whereby, in case of disagreement between the government and the Bank of Canada, the government may issue a directive to the bank as to the monetary policy it is to follow. The amendment also eliminates the power the governor now has to veto any action or decision of the board of directors or the executive committee. This amendment by and large follows the recommendation set out at page 543 of the Porter commission report. It states:

> We believe that central bank independence within the context of government responsibility for monetary policy can best be assured by a dual system of responsibility under which the bank formulates monetary policy and executes it from day to day but under which the government must accept full and continuing responsibility for the policy being followed, although not in the normal course for the details of its execution. The Bank of Canada Act should be amended to make this clear and to provide the Minister of Finance with the right to issue a directive to the bank if the government disapproves of its policy. We believe that this procedure of government direction of the bank's policy should be used only as a last resort and after extensive and conscientious attempts to reach agreement have failed. If such a situation ever arose, its seriousness would call for highly formal procedures designed to focus full and intelligent public discussion on the matter under dispute. We therefore recommend that any directive take the form of an order-in-council to ensure that it receives cabinet consideration; that it be as specific as possible in its terms, making it clear that the government feels the bank has been too restrictive or too expansive in its policy, pointing out in a closely reasoned way how its actions have conflicted with national economic policies, and indicating what steps—including possibly a change in bank rate, market yields, or the cash reserves of the banking system—the government wishes carried out; that it be published with the briefest of delays, say within 15 days of issue; that it be accompanied by a statement from the governor setting out his opinion of the matter; and that it should automatically lapse after 30 days so that it would not become in effect a continuing directive.

The government's amendment to the Bank of Canada Act largely carries out the recommendation of the Porter commission, except that the 30 day period has been amended to "a specified period". This is probably a better arrangement than the one which the Porter commission supported, and yet it still carries out the spirit of the recommendation. Some flexibility should be allowed when a directive is issued so that the consequences of the directive may flow for an anticipated period of either 30 days or longer. Whether a maximum period should be specified is a matter of concern and we would appreciate hearing from the Minister of Finance on this matter.

If the government has the ultimate responsibility for monetary policy, then parliament must have some way of examining it and seeing how it is being carried out. Monetary policy is more than an administrative matter. It has a strong bearing on the economic climate in Canada. All Canadians are affected by its workings. Parliament at the present time has no opportunity to examine this matter in a regular way.

The Third Annual Review of the Economic Council of Canada recommended that three documents should automatically be referred to a standing committee of the house for examination, to help determine the economic policy of the nation. The three documents were: first, the annual review of the Economic Council; second, the white paper on the outlook for private and public investment in Canada; and third, the budget white paper. We in the New Democratic Party would add a fourth document, namely the annual report of the Bank of Canada. This would give members of the house a chance to examine the governor and to inform themselves on the conduct of our monetary policy.

Last Friday the hon. member for Kamloops suggested that clause 9 (5) of this bill and section 72 of the Bank Act be referred back to the standing committee on finance, trade and economic affairs for further representations and study because of the letter of intent issued by the governor of the Bank of Canada to change from a monthly averaging of cash ratios to a twice monthly averaging period 12 months after the act comes into force. We in the New Democratic Party do not agree with the hon. member for Kamloops. Full representations were made before the standing committee, and nothing more could be added. Any further persuasion can