

The Commission notes that the financial position of provinces and most municipalities is generally strong despite the sizable deficits of recent years (pp 58-60, 73). Some smaller municipalities have more problems in obtaining finance than their position would appear to justify, but in many cases provincial governments could remedy this problem by assisting them to prepare more comprehensive and up-to-date information for investors (pp 64-71). In general, the problems of provincial and municipal governments are more related to their revenue sources than to the capital markets (pp 60, 70-1). (For a discussion of provincial and municipal borrowing in foreign markets and of their use of savings bonds, see pp 66-9).

The Commission draws attention to the heavy use by business of internal funds (pp 34, 37-9). However, it does not find this has led to serious misallocation of funds since almost all firms meet market tests in one way or another (p. 42).

The Commission received conflicting evidence on the financing problem of small business (pp 43-6). Its judgment is that there is no wide gap in financing facilities (pp 45, 230), but that some problem exists for firms with borrowings needs in the range of \$10,000-\$100,000 (p. 45). Many of the difficulties of small business are managerial rather than financial and some of them are due to the reluctance of the owners of small business to sell any of their equity to those being asked to put up high-risk funds (pp 44, 230).

III Financial Policy

(a) Monetary policy and debt management

The Commission's studies of the main instruments of general economic policy included econometric work and detailed surveys of the response of corporations, governments and individuals to changes in credit conditions. The Commissioners conclude that while monetary policy can have