

*Government Monetary Policy*

were given to the governor, the directors and the executive committee so that they might regulate the currency and credit in the country to the best interests of the economic life of our nation.

I have read the Bank of Canada Act, and section 23, subsection (1) reads:

The bank shall act as fiscal agent of the government of Canada—

Et cetera. Then subsection (2) reads:

The bank, if and when required by the minister so to do, shall act as agent for the government of Canada in the payment of interest and principal and generally in respect of the management of the public debt of Canada.

I have always held the view that the Minister of Finance, as this subsection implies, has control over our debt management. If we have good debt management in this country it is much easier for the bank to operate, but if we have bad debt management, as we have had during the last three years, it is much more difficult for the bank to operate and provide all the extra funds this government requires.

In my opinion there is no one living who could adapt the policies of the bank to the inconsistent and changing demands of this government which requires a great deal of money all the time. We have read articles in the press criticizing the governor of the Bank of Canada both for our fiscal policy and our monetary policy. There is no doubt that the frequent statements of the Minister of Finance disclaiming any responsibility in connection with our monetary policy throw certain criticism towards the governor of the Bank of Canada. I think this criticism should be thrown directly at the government, where it properly belongs.

There is no doubt that the minister always knows what is going on in the Bank of Canada. Before the banking and commerce committee on March 18, 1954, as reported at page 715 of the minutes of proceedings of that committee, the former governor of the Bank of Canada, Mr. Graham Towers, said:

The government of course, either through the deputy minister of finance who is a member of the board and executive committee or through quite frequent conversations between the governor and the Minister of Finance, is always aware of what the Bank of Canada is doing.

Mr. Towers also went on to say:

The situation is that parliament has placed squarely on the shoulders of the directors and management of the Bank of Canada the responsibility for monetary policy.

There is no alibi possible for the central bank. Then he went on to say this:

On the other hand, there is no alibi possible for the government, because if government said: Well, we disagreed with what the central bank did, but parliament has placed the responsibility on them, so what could we do? The answer

obviously is that the administration of the day, supported by a majority in parliament, can always alter the legislation. In fact, I doubt whether a disagreement would ever necessitate such a thing, because there are various ways and means by which directors and management can be got rid of. I am sure that in the case of a serious disagreement that is what would take place.

These statements were made by Mr. Graham Towers when he was under close questioning by the then hon. member for Eglinton, now the Minister of Finance. That occurred on March 18, 1954, before the banking and commerce committee. I might say that Mr. Towers and Hon. Mr. Abbott gave similar answers to questions asked by the hon. member for Greenwood (Mr. Macdonnell).

Why does the Minister of Finance refuse to take any responsibility in connection with the Bank of Canada? The fact is that the fiscal policy of this government has become so bad, so much blame has been directed towards the Minister of Finance, that he finds it convenient to let somebody else take it all, if he can get away with it.

Why does not the minister say he either agrees or disagrees with the policy of the Bank of Canada? I cannot imagine the Minister of Finance disagreeing with the governor of the Bank of Canada and saying nothing; it is not his nature. After all, we all recall that at the Mont Tremblant conference he spoke up rather violently; at least the press said he did and some of the members of the press said he used sledge-hammer tactics when softer and milder words would have better fitted the occasion. He used that kind of language in connection with Mr. Thorn-dyke of Great Britain. We all recall the threats of retaliation used by the Minister of Finance towards Great Britain—

**Mr. Fleming (Eglinton):** There never was any threat of retaliation.

**Mr. McMillan:** It appeared in the press. We all recall those threats concerning Great Britain joining the European bloc of nations.

On the other hand, the other night in Chicago the minister spoke up fairly sharply, I thought, when he brought to the attention of the United States the situation with regard to purchases of Canadian oil. Certainly, the government of Canada and the Bank of Canada are in agreement. If they are not, what is so sacred about the Bank of Canada Act? It has been amended on two occasions to my knowledge and it could be amended again. This government, with its great majority, could easily bring that about. Parliament is supreme. What parliament has done, it can amend. The minister would have us believe that there are two sovereignties in this country—parliament and the Bank of