expanding to a record, manufacturers were building up their inventories, even stock prices turned in a year-end rally.

Now, it is clear from production and employment trends that over-all commercial activity has been contracting mildly for a number of months—and the economy is weak as it goes into 1961.

It is indicated that signs of a turn will come when new orders placed with manufacturers start to pick up again. In Canada new orders have been running below the levels of a year ago from April to September. In the United States new orders have been sliding gradually for several months. In other words, the fall started earlier in Canada than in the United States. There is an increase in business failures.

In the *Financial Post* of two weeks earlier, December 2 of this year, the following is reported:

Largest single factor likely to affect the pace of business in coming months will be government action in both countries taken to offset the current sag in activity and to reduce unemployment.

I wonder if we got in the budget presented to us last night the medicine it was indicated was the thing upon which our hopes should be pinned? More than anything I believe there was surprise last night that the minister made not the slightest reference to the question of interest rates despite the fact that he has certainly heard much in recent times about too much instability in our money markets. He, of course, is always the first to brag when interest rates fall but we have heard nothing from him either in the budget speech or elsewhere concerning the fact that since September the trend has been decidedly the other way.

This instability is exceedingly worrying to the financial community. When one looks at the rates of interest for treasury bills for the period from September 8 to the latest offer—I think of December 15—one finds very wide fluctuations as far as Canada is concerned. In fact, the difference between the low and high interest rate—and rates at the end of the period are exceedingly high—involves a spread of 2.27 points in that short period of time. In contrast, treasury bills in the United States show a spread of just .52 per cent between the high and low rate between September 8 and the present time. The result is that we are again in the position where money is much more expensive in Canada than it is in the United States and despite some income tax patching that may have been done in the budget presentation there is still at the same time a sufficient margin of difference to attract Canadian borrowers into the United States market. It is this factor which is responsible in large part for our highly valued dollar which makes exports non-competitive across the world. It is this factor which in large measure is responsible for some of our unemployment difficulties at the present time.

The minister said nothing about this but the bank presidents, as I have indicated, have had quite a bit to say about it. Probably the average man on the street has always thought that bankers rather relish high rates of interest. They represent lenders of capital and I suppose the average man feels that they would rather look forward to the wages of capital being at a high level. But if the Minister of Finance is not worried about high rates of interest certainly the banking fraternity is concerned about them at this time as is indicated by almost every annual statement issued by our commercial bank presidents.

I want to give just a few brief quotations from these annual reports most of which were presented in late November or early December. The president of the Canadian Bank of Commerce on December 13 is reported as having said:

During the past quarter century there has been an extensive growth of finance companies and deposit loan organizations operating outside the influence of the Bank of Canada.

We have been asking for an opportunity to examine the policies of the Bank of Canada. I have a resolution on the order paper indicating that as the Bank Act has not been substantially reviewed for quite a number of years the operation of some of this kind of lending agency should be reviewed. The point I really wish to make in the present context relates to the following statement by the president of the Canadian Bank of Commerce:

There is little doubt that, if our borrowings abroad diminished materially, a trend to a discount on our dollar, instead of a premium would soon emerge.

There appears, however, to have been little, if any, positive effort by the Bank of Canada to influence the level of interest rates.

The minister made no comment on this vital subject in monetary and economic matters in his very long address last night. The president of the Bank of Montreal is reported as having said on December 19 last:

Pointing to a need for a definitive lead from the Bank of Canada, Mr. Hart said the financial community should be given "some measure of assurance that official monetary policy, which has lately shown signs of greater flexibility, will continue in this direction as long as may be possible without giving rise to renewed inflationary dangers."

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He believed the present "sluggish and quiescent behaviour" of bank loans "should no longer be