

I should like to add very briefly that it is probably not in general a good thing that a central bank should publicly make any claims in respect to what its monetary policy has accomplished or anything of that kind. Of course, giving evidence to this committee is a different matter. I have tried, in response to requests from the committee, to indicate some of the major effects of the policy which has been followed. It is always difficult to define the exact effect because the obverse of the medal cannot be seen; but I am inclined to think that had there been no expansionary policy followed in Canada that interest rates would have been a great deal higher than they are, that governments would have found it a good deal more difficult to borrow to finance their deficits or capital expenditures, and that repatriation of foreign debt, other things being equal, would have been considerably more difficult. I think that in fact the repatriation would, probably, have taken place, but that the adjustment which would have made it possible would have taken the form of a higher exchange value for the Canadian dollar, and that rather than a premium on U.S. funds we might have seen a discount on U.S. funds and a premium on the Canadian dollar. To that extent, I should think, although I cannot prove it, the policy which has been followed has had an influence on exchange.

Finally, I would like to add that when the MacMillan commission was taking evidence in Canada I think various people suggested to them that one of the handicaps which a central bank in this country would face would be a difficulty of exercising control due to what they felt to be the narrowness of the Canadian money market, the lack of the form of money market organization which they have in London. I never felt that that would be the case—I mean I did not agree with that view, even in pre-Bank of Canada days—and I expressed such views to some of the people who were working for the commission. I think it has turned out to be correct that the central bank of Canada has not been in any way handicapped due to what some people regarded as the narrowness of our money markets. In fact, as anybody who examines our weekly statements will see, the variation in our total holdings of securities from time to time has been extremely substantial. Considered as a percentage of total assets and applying that percentage for purposes of comparison to, say, the statement of the Bank of England or the federal reserve system in the United States, one would have to see in those other two countries fluctuations in their security portfolios which they would consider of enormous magnitude, even to equal those which have taken place in Canada. And finally may I say this, that I believe that in no country and at no time have there been bank and market responses to central bank action and central bank policies, more complete, more full and more in line with anything that a theorist might have anticipated, than have taken place in Canada. I speak only of the past, because it would be foolish to say that that would always be the case. I do not know, but I expect that it will. But it certainly is the case that so far as monetary policy depends upon the control and influence exercised by the central bank, that has worked in Canada more accurately than in most countries that I know of, and certainly as fully and as accurately as in any country in the world.