Role of Public Policy

I have at several points in my remarks today suggested what public authorities could do to help bring about a better balance in our savings-expenditure ratio, reduce our rate of foreign borrowing, and moderate to some degree the ups and downs of the business cycle. Of course the problem before us covers a much wider territory.

I should like to revert for a moment to the relationship between monetary policy and the various other factors which can make either for stability or for instability. Unless public policies and private practices alike play their part in the struggle to achieve a more balanced economic structure in Canada, both monetary policy and the credit policies of the banks may be put under great strain--and the desired results will nevertheless not be achieved.

Those outside central banks who say that monetary policy, usually called "tight money", cannot by itself restrain inflation or protect a country from living beyond its means, are only saying something that central bankers have been trying to explain and emphasize for a long time past.

To go on, however, and say or imply that monetary policy is therefore useless and that tight money should be replaced by easy money, is nothing but mischievous defeatism. Anything that can be done by any agency or any group in the community to try to maintain overall stability should be done.

If tight money and high interest rates are painful, and by no means fully effective, the remedy is not to court disaster by cultivating easy money or funny money or subsidized money, but to remove the fundamental cause. So far as the cause is of external origin it is a question of how fast foreign enterprises are to develop their projects in this country. So far as the cause if of Canadian origin, the cure is basically a question of self-restraint and morale.

For us in Canada to adopt the goal of living within our means would not in any way require giving up the goal of progress and expansion. On the contrary, it would enable us to achieve sustainable, efficient and fruitful expansion in a much more satisfactory way than in the past. Nor would it mean we would have a slower rate of growth or a smaller proportion of new investment in physical equipment than in other countries. On the contrary, our own annual rate of saving, even without any further increase, is such as to provide a greater degree of new capital investment within our borders year by year than that which normally takes place in most other countries, including the United States. Every year we would be able to increase our productive plant by a