

In 1959 there has been no intervention by either the Government or the Bank of Canada. In May and in August the chartered banks acting on their own initiative imposed restrictions on their lending operations. In doing so there was no need for any of the banks to blame anyone else. Certainly there was no need for indulging in recriminations. The situation was the result of unprecedented demand for credit, and the lending resources of the banks were not unlimited. I deplore the attempt made in certain quarters under these circumstances to attribute to what is vaguely and conveniently called "Ottawa" the responsibility for these restrictions.

One of the complaints which I have heard is that someone in authority should have warned the banks in advance or should have told them to do what in fact they have done. Here let me make it quite clear that I believe that the bankers best know how to operate the banking business in Canada. There are no better bankers in the world than we have in Canada. On the day I was sworn into office on June 21st, 1957, I met the Canadian Bankers Association and informed them of that belief and that bureaucratic interference with their operations did not accord with my political philosophy. The corollary of this belief is that in a free society those who discharge business functions should assume responsibility for their decisions and should not attempt to place responsibility or blame on others....

Inflation

I have reserved to this point my observations on the subject of inflation. "The choice is between the path of creeping inflation and that of a strong and stable dollar", was the warning of Dr. Wilhelm Vocke, the eminent German central banker, to the United States recently. The warning applies with equal force to Canada. We want growth. We want an expansion of our economy. We want the development of our resources. Can we have these and at the same time avoid the perils of inflation? This is a challenging question.

There is a prevalent belief that a measure of inflation called "creeping inflation" contributes to growth. Let me speak on this subject as clearly and emphatically as I can. There can be no compromise with inflation in any of its forms, including its insidious creeping form. The Canadian Government has chosen the course of maintaining a strong and stable Canadian dollar. On July 14, 1958, the Prime Minister said:- "I want to emphasize again at this time that the preservation of a sound currency and the maintenance of stability in the value of the dollar are matters to which the Government attaches the highest importance."