

Bank of Canada Act

As I recall the references to Canada in the report of this organization, they pointed to the desirability of having adequate fiscal and monetary measures and in particular endorsed what I have said on a number of occasions and what has been said by other international organizations, that there should be less reliance on monetary policy and more on fiscal policy. Looking back over the history of the last few years I think it can be said of practically all of the major industrial countries of the world that governments have not been prepared to use fiscal policy as they should have. On the other hand, I believe the record of performance in this respect has been improving in most of the countries of which I am aware.

The O.E.C.D. in addition, however, has been concerned about the question of whether fiscal and monetary policy in itself is adequate to provide the desirable degree of stability along with expansion. In other words, is fiscal and monetary policy adequate to ensure expansion without inflation? I have asked this question myself. Indeed, on a number of occasions, both in this house and outside it, I have spoken about the more general question: Should there be supplementation to fiscal and monetary policy such as guide lines, guide posts, income policies, or wage and price ceilings?

• (4:50 p.m.)

We put this question to the Economic Council of Canada and, as hon. members may recall, the answer we got from the council was in the negative, namely, that the kind of policies I have been describing are not likely to be very effective. On the other hand, the governor of the Bank of Canada in a speech he made recently in Rome did point to the importance of mobilizing public opinion in support of the general objective of expansion without inflation. I regret I do not have his words in front of me. Therefore, while not adopting any of these devices or mechanisms such as an incomes policy or guide lines, or guide posts—certainly not wage ceilings—I have nevertheless pointed out the importance of finding some way of mobilizing public opinion among employers, employees and consumers in support of the general objectives which the community has in common. The O.E.C.D., if I may say so, seems to have come down on the side of Mr. Rasminsky rather than on the side of the Economic Council.

Mr. Olson: I should like the minister to tell us whether recommendations of this kind are made to other countries urging them to impose additional controls. I think the words are "take steps to control the rising wages and prices". The minister told us that the organization was concerned about whether or not fiscal and monetary policy was sufficient. What other steps does the council in its wisdom suggest that countries such as Canada ought to take? Is this a general statement without any suggestion as to specific ways and means of achieving the objective desired? If the Economic Council rejects some of the other suggestions which have been made and if the O.E.C.D. continues to urge Canada to take certain steps, surely there must be some substance attached to the proposals.

Mr. Sharp: May I answer the first question? The O.E.C.D. gives advice to all its member countries. This is one of the most useful of the international forums which have been developed for the discussion of mutual problems. I remember that my parliamentary secretary went to a meeting of this organization about a year ago and he said he was astonished at the frankness with which members spoke to one another. I can assure the committee that advice is given to all members freely and frankly. It is a great step forward in the development of international institutions that we can have reports placed before us as the result of an independent group looking at our situation and giving us the benefit of its advice and views.

As I understand the recommendation of the O.E.C.D. it is not too specific. The organization does not attempt to be precise about the nature of the steps which should be taken by any country to deal with its domestic affairs. It believes it can be more useful if the observations made are general rather than specific, since specific suggestions might be rejected on the ground that the organization is not sufficiently familiar with local conditions to know what best to do. What I believe they have in mind are measures to supplement financial and monetary policy such as those which have been taken in the United States, in the United Kingdom and in Europe in an attempt to bring public opinion to bear, on a voluntary basis, upon the determination of wages and prices.

The Acting Chairman (Mr. Richard): Order. Would hon. members please resume their seats? I have been watching the proceedings and I must confess that some of the questions are short but the answers are rather long. I