all Wednesdays in any period of three months ending after the 31st day of December, 1966—

The CHAIRMAN: Yes.

Senator MCCUTCHEON: So, I think it is more than likely that the trigger will be pulled on March 31, or when the calculation is made thereafter. In those circumstances, I ask the Minister if psychologically he should keep the 7¾ per cent ceiling on? Might it not be better, in the light of what we now know, to set that rate until July 31 this year instead of December 31?

Hon. Mr. SHARP: Mr. Chairman, we considered this question. The formula in the bill that I introduced in the House of Commons was slightly different.

Senator MCCUTCHEON: That is, the original bill?

Hon. Mr. SHARP: Yes, the original bill. It provided that the ceiling would not come off until the average for three months was less than 4 per cent. After examining the implications and having in mind the representations made by the Canadian Bankers' Association, we came to the conclusion that there was not much sense in having a ceiling that started at 7¼ per cent because we knew that that had been established—it was the average of the three months up to November, and that applied for the first six months of 1967—and then to have the ceiling come down to perhaps 6¾ per cent or 6½ per cent, and then for it to come off, as it might having regard to the way interest rates were going.

So the committee looked at several variations. They looked at the variation that would have maintained the ceiling not below the highest point established by the formula until it came off. That was rejected as not being a very sensible formula, although it had something to recommend it. We looked at the possibility of raising the trigger point to 5 per cent, and doing nothing else. That indicated, as Senator McCutcheon has pointed out, that the ceiling would come off almost immediately. One of the purposes that the Government has had in mind in providing a formula for the relaxation and eventual removal of the ceiling was to provide a transition period. If we had simply raised the trigger point to 5 per cent there would then have been no transition period. The act would have been passed, and within practically no time at all the ceiling would have been off.

During the discussion of the bill in its original form the Government had been of the view that a transition period was desirable. We had reached the conclusion identically with the Porter Commission and the Economic Council and others who had studied this subject that the ceiling on bank interest charges performed no social function. If I can introduce a partisan note here, I will say that it was the most illiberal—

Senator MCCUTCHEON: It certainly was not a Conservative act.

Hon. Mr. SHARP: It was the most illiberal of acts because it discriminated against the small man in that the big corporations could continue to obtain large loans at the ceiling while the small borrower had to go to the loan sharks and other lenders. So, we came to the same conclusion as did the Porter Commission, but we believed it desirable to provide some transition so that the banks themselves could prepare for freedom, and so that the public could get accustomed to the idea.

Having all of those considerations in mind the committee collectively came to the view that the simplest transition was to maintain the ceiling at the point reached in the first six months throughout the balance of 1967, and to raise the trigger point so that if interest rates continued in their present trend the transition would be a higher ceiling during 1967, and removal at the end of the year.

Those were the considerations that led to the committee's making these recommendations, which were adopted by the House of Commons.

Senator MCCUTCHEON: This is, of course, a matter of judgment, and it is in a psychological area, but there is not transition period, Mr. Minister, from the present ceiling to the 7¼ per cent. That is going to happen overnight.

Hon. Mr. SHARP: That is right.