

The CHAIRMAN: This means that the minister before he issues a directive must consult with the governor?

Mr. BEATTIE: That's right. It provides for a sort of second degree of consultation between them before the directive is issued. The amendment makes it clear that normal consultation should go on all the time.

Senator THORVALDSON: In regard to Senator Hayden's question, the bill provides for an order in council, and the directive must be covered by an order in council.

The CHAIRMAN: This is after and as a result of consultations, as I understand it. If the minister and the governor are not in agreement, then it goes from the minister to the Governor in Council, and the directive is issued by the Governor in Council.

Mr. BEATTIE: The minister may, after consultation with the governor and with the approval of the Governor in Council, give to the governor a written directive concerning monetary policy.

Senator THORVALDSON: The directive would have to be supported by an order in council.

Mr. BEATTIE: And the directive must be in specific terms and applicable for a specified period.

Senator LEONARD: Mr. Chairman, while Mr. Beattie indicates this is rather declaratory of the situation, in point of fact, going back to 1934—was it?

Mr. BEATTIE: In 1934 the Bank of Canada Act was enacted.

Senator LEONARD: —there was a very strong feeling that monetary policy should be under the control of the Bank of Canada rather than under the control of the Government of Canada; and did not successive Ministers of Finance more or less indicate that monetary policy was a matter for the Bank of Canada rather than for the Government?

Mr. BEATTIE: 1934 is quite a long time ago.

Senator LEONARD: Before your time—not before mine though!

Mr. BEATTIE: I am old enough to recall that quite clearly, because I started working in the bank very early in 1935, and I read in *Hansard* the debates of 1934; and, of course, I have read with close attention any debates ever since referring to the Bank of Canada. I think, to the extent the idea you mentioned was current at that time, it stemmed from the views of the Macmillan Commission, and particularly those of the chairman of that commission. The whole theory of the relationship between the government and the central bank was undergoing change through the thirties. Indeed, a great many things changed during that period. All I can say is that as far as the people inside the central bank were concerned, from the beginning we felt that if there was any conflict between the Government and the central bank, in a democracy, the view of the Government had to prevail. The only question was whether there was adequate provision made to discuss out the differences so as to be sure each side understood the viewpoint of the other, and that whatever position was arrived at was made known publicly rather than be a kind of an under-the-table matter.

Senator LEONARD: I am not at all disagreeing with this section or the policy that is set out, which I think is a correct one, but I do think there was some doubt as to whether that was, in point of fact, the intention in the first instance and for some years thereafter. Does it not also probably follow that if there is a real disagreement between the Governor of the Bank of Canada and the Government on policy, and this section is brought into effect, it would be very difficult for the Governor of the Bank of Canada not to resign if he felt the policy that was now to be forced upon him was one which he did not believe to be in the best interests of the country?