

should be used to meet the housing needs of the country and should not be used as a device for the stimulation or otherwise of the economy.

- (c) At the same time, the anti-cyclical planning of construction projects must give due allowance to the economies of the less prosperous regions of the country. Care must be taken to insure that short-term stabilization policies are not permitted to interfere with long-term developmental policies.
- (d) We urge the Economic Council of Canada to undertake a special study of the fiscal policies of the provinces over the past five years to determine the extent to which, when related to federal policies, they have served the cause of price stability.

12. There is a danger that business capital spending may be quite volatile at times. We believe that techniques such as variable depreciation allowances, and refundable cash flow taxes are useful but could be used more effectively if they were to be introduced without having to await a Fall or Spring Budget.

13. The application of monetary policy is in our view too limited and indirect. It should be extended with access to more direct instruments. Specifically:

- (a) We have noted that the Bank of Canada has no direct control over the lending policies of non-bank financial intermediaries. We think that the Bank of Canada should be asked to report whether, in the light of its recent experience, monetary policy could have been more effective with more direct control over the non-bank financial intermediaries.
- (b) We were impressed by the fact that neither the Federal Government nor the Bank of Canada has any direct regulatory power over consumer credit, bank or non-bank. We think the absence of this power, particularly during an inflationary period, can be serious because of the additional pressures caused by increases in credit, whether it be through consumer loans, charge accounts or purchases made by way of credit cards. We think that the Federal Government should have stand-by powers to regulate the terms of consumer credit, particularly down payments and the length of time for payments.

14. The principle should be established that when monetary policy faces a conflict between assisting government financing on the one hand and economic stabilization on the other hand, it would not automatically resolve the conflict in favour of assisting the government's financing.

15. We heard evidence on the spread between borrowing and lending rates in the banking system. We were not able to form a judgment as to whether the size of the differential was appropriate or not, bearing in mind the fact that interest rates were on the rise. We think a special study should be undertaken to investigate the practice of these spreads as they exist in the banking system, in the near-banks and in other financial institutions. Included in the study would be the relationship between the bank rate, the prime rate and the rates paid for various forms of saving by competitive financial institutions and the Government of Canada for its Savings Bond program.

16. Arguments were advanced that our fixed exchange rate restricted the monetary policy options of the central bank. Without pronouncing on the desirability of moving to a more flexible rate we think that the suggestion is