

Bank of Canada Act

by the governor. However, I am not basing my case at the moment on that.

What I am saying is that because, when the committee accepted the amendment, discussion was thereby terminated, that was done on the basis of Mr. Elderkin's explanation and because at least a substantial number of the members of the committee were in agreement with that explanation. They felt that this was the proper way to operate. In the light of that situation, there was no further discussion on the effect of the section now set out by Mr. Rasminsky.

So, I come back to my point. I wish the minister had said that Mr. Rasminsky was going to modify his intention because I think that would be the better way. The minister has implied, if he has not said directly, that the method of operation outlined by the governor of the Bank of Canada in his letter is authorized, if you like, by the section as amended, and that this is the course that will be followed. In other words, I take it from what the minister said there was no question of modifying the expression of intent contained in Mr. Rasminsky's letter. Therefore, sir, we are in a position, with the purest of motives if you like, where the members of the committee were misled on the basis of a misunderstanding introduced in their minds when the amendment was accepted without further discussion.

Therefore, sir, I press the minister again to relieve the effect of that innocently caused misunderstanding, but nevertheless a misunderstanding, and to place us back in the position where we should have been had we had a clear interpretation, namely in a position to discuss the amendment on its merits and hear representations from those concerned on the effect of the amendment. This can be done quite simply by referring the subject matter of the two portions of the two bills back to the committee.

If the minister thinks we do not need to refer this portion of Bill No. C-190, I would not press that point. I think at least we should get assurance that the subject matter of clause 72 of Bill No. C-222 will be referred back to the standing committee. Then, we could let the matter go on the basis of a misunderstanding. It seems to me then that the banks, who after all have a responsibility and a very important role to play in the country, as well as the members of the committee, will feel that their consent to an important, and in a literal sense radical change,

[Mr. Fulton.]

was obtained on the basis of a misunderstanding, if the minister does not consent to this course.

● (4:50 p.m.)

When the fact of the innocent misinterpretation was drawn to the minister's attention, instead of following the course which would put the parties back where they were before the minister put himself into the position of being accused of taking advantage of that misunderstanding. I know the minister would not want to do that, and therefore I hope that he will accept my proposal for a reference back.

Mr. Sharp: Mr. Chairman, may I complete this discussion briefly. The form of the amendment that was placed before the committee by Mr. Elderkin was determined by technical considerations of legal drafting relating to the retention of the monthly averaging in the transitional period when the minimum cash reserve was switching from the present 8 per cent to the split rates of 4 and 12 per cent. That was the intention, and that is why one precedes the other.

I am sure the hon. member for Kamloops would agree that the government would not have placed before the house in the first instance a bill which gave no alternative at all, but simply required a twice monthly averaging, if the government had intended this to be only a stand-by provision. That was the first proposal made by the government.

On the substance of the matter, Mr. Chairman, may I say that this question has been very thoroughly discussed with the bankers by the Bank of Canada. The bankers do not like it. There is no testimony they are going to give, if I may say so, that is going to change their dislike for it.

I believe—and I hope the committee will agree with me—that this is a desirable improvement in the control of monetary policy. Indeed, it may come as some surprise to the committee—though perhaps not—to know that in the United Kingdom cash reserves are determined daily and in New York weekly. It is because of this long monthly averaging period that there is some unpredictability as to the effects of the actions of the Bank of Canada upon the money market. One cannot tell at which stage of the averaging period any particular bank is, with the result that the other banks do not know what effect may be exercised upon monetary conditions by the attempt of that bank to restore its average position either up or down.