

Senator HAIG: Might I say a word in connection with Senator Leonard's question. When the Bank Act was being revised the last time the representatives of the Canadian Bank of Commerce, which by that time had been lending money on personal loans for years, were asked, "Do you want any legislation in order to continue on with these loans?" And they said, "No, our lawyers have advised us we are within the law." That was the situation at that time, and in the meantime I doubt if there have been any law suits, so they must have been right. I know all this because I was on the committee and I was interested.

Senator LEONARD: Most of them do it now with the exception of one.

Senator HAIG: Well, I see banks are advertising these personal loans and I think they have all come to the same conclusion.

Senator LAMBERT: Yes, all but one.

Senator HAIG: At that time the banks said they were satisfied with the law as it was and said that they were going to continue the work as they have done in the past.

The CHAIRMAN: Mr. Coyne, I would just like to make this observation, that senators are not leaving the meeting because you are not interesting but rather because there is an other committee meeting going on now and some of them have to attend there.

Senator CRERAR: Mr. Coyne, in your last annual report, as I recall, you had reference to the possibility of developing an inflation psychosis. In your report as Governor you referred to the possibility or the evidence or something of that kind of a growing inflation psychosis in the public mind. What did you mean by that?

Mr. COYNE: I meant that certain people, particularly investors and also others had been thinking so much about the dangers of potential inflation that they had magnified those dangers in their own minds and were acting in a way which was not justified by longer run considerations. I think to some extent at least the refusal of a number of people to buy Government bonds last year was unjustified and a reflection of exaggerated fears. Of course it is always possible to take a view of the future movement of bond prices and decide that you are going to buy later when they are cheaper, but it is always possible to be wrong in coming to such a decision. But the degree of unanimity and the degree of talk that went on in the United States and Canada alike about 12 months ago was vrey unhealthy.

Senator CRERAR: In your judgment has that extended into the public mind generally?

Mr. COYNE: I do not really know. I think conditions in the bond market are very very much better now than they were 12 months ago.

Senator CRERAR: Another question: Retail sales have climbed very substantially over those of a year ago. Do you think that that is due in any way to the feeling in the mind of the average citizen that prices will be higher six months from now so I had better buy what I need on credit now?

Mr. COYNE: I do not know. That may have operated to some extent, Senator Crerar, but I really cannot say.

Senator CRERAR: You spoke in your earlier remarks about the considerable area outside the control of the central bank and that control had been exercised through the chartered banks on credit. That was stimulated by advertising, by business concerns telling the public to come in and buy a watch or a bit of silver or anything else and pay five per cent down and pay the balance at your leisure. In fact, I ran across one ad which said, "Buy now and pay when you like." Is that a factor in creating inflation?

Mr. COYNE: It could be, if it went to extremes.