is the practice at the present time. I propose to read this; and then I propose to read briefly from what the parliamentary assistant said. I then propose to look back very briefly, also, to show that the whole purpose of the Bank of Canada, at least one of the chief purposes, as set out in the preamble and in the statement made by those responsible for its organization, was to do the very thing which we are at the present time being asked to believe it does not do.

I quote now from the *Financial Post* of November 24, page 4:

Although prices of Canadian bonds dropped sharply on Thursday last week with the long terms being off from 1 to 1½ points, prices have held steady since. Longer term government bonds are said "resting" on Bank of Canada bids again but shorter term governments are quite buoyant and in good demand . . .

The reason for the drop was a lowering of the prices which the Bank of Canada was willing to bid for government bonds. For some time now, dealers say, the bank has been the main buyer of government of Canada bonds and so, in effect, was supporting the market. (In January, 1948, the bank stopped its wartime practice of issuing a daily list of prices at which it would buy and sell government of Canada bonds and reverted to its pre-war practice of dealing in general only in response to offerings and bids of dealers.)

As soon as dealers found no buyers for their offerings, dealers dropped their prices until they found the level at which the bonds would be bought, either by the Bank of Canada or others.

And another short quotation from the same issue:

Big news of the week was the Bank of Canada temporarily withdrawing its support from government bond prices. When prices dropped $1 to $1.50, Ottawa again temporarily at least lent its support. The move has signalled higher interest rates generally, tighter money, and, of course, new brakes on capital expansion programs.

Having said that, I wish to read what the parliamentary assistant said the other day, when he referred to the statement of the hon. member for Kamloops (Mr. Fulton):

—that the Bank of Canada formerly supported the market for Dominion of Canada bonds by issuing quotations of the prices at which it would purchase bonds . . .

The parliamentary assistant went on to say this:

This apparently refers, although somewhat incorrectly, to a wartime practice which terminated nearly four years ago. It was not a practice of supporting the market, but a question of trading methods. During the war the practice was for the Bank of Canada to notify dealers each day the prices at which, subject to change at any time, it was prepared to buy bonds, and similarly the prices at which it was prepared to sell.

If anyone can tell me what better words could be used to describe the operation of supporting the market, I would like to know them. The parliamentary assistant continued:

In January, 1948, the bank announced that it was reverting to its pre-war practice of dealing, in general, only in response to bids and offers initiated by other buyers and sellers in the market, and there has been no change in its usual practice since that time.

That is a change of small significance so far as I can see. All that it means is that instead of the bank notifying them in advance what they would pay, what the bank did and still does is to stand by and watch the course of prices before making up its mind at what rate they will start to act, and to act accordingly. In my opinion to say that that is not supporting the market is just playing with words.

Let me just take a moment or two to remind the house what the Bank of Canada was formed for, because it seems to me that if this statement which has been made were true the bank is actually running away from doing the thing it was supposed to do. One phrase in the preamble of the Bank of Canada Act reads:

Whereas it is desirable to establish a central bank to regulate credit and currency—

I should like to go on and quote briefly from what Mr. Rhodes, the then Minister of Finance, said when introducing the bill in 1934:

It is intended that the bank shall have a definite measure of control over the total volume of credit and thus be in a position indirectly to exert an influence over the general price level.

Four years later Hon. C. A. Dunning, then Minister of Finance, said this when speaking of the machinery:

Canada's financial machinery is now adequate to enable the government to cause effective action to be taken in the field of monetary policy to the extent that monetary methods may be appropriate to solve our problems.

I should like to quote briefly from what Mr. Graham Towers, the governor of the bank, said when speaking before the banking and commerce committee in 1939. After four or five years of experience in the operation of the bank he said:

I believe that in no country and at no time have there been bank and market responses to central bank action and central bank policies more complete, more full and more in line with anything that a theorist might have anticipated than have taken place in Canada.

That is a strong statement. How does the bank exercise this influence? I suppose two of the strongest and most obvious ways would be by buying and selling securities on the market and by the regulation of interest rates.