significant effects on expenditure, there are important limits to its use. Its impact is neither strong enough nor rapid enough that general monetary policy alone can be expected to stabilize cycles of economic activity (pp 443-8).

The Commission's analysis of monetary policy lays considerable stress on the importance of "credit conditions" - i.e. the cost, terms and general availability of credit to borrowers and, consequently, the terms and yields on which savers may invest their funds (pp 423-6). It agrees with the Bank of Canada that this is the channel through which real expenditures are influenced and that the authorities must try to affect these cost and availability factors to influence spending in a manner consistent with the stability of the economy. The Commission failed to find any other direct link between the quantity of money and spending and stresses that it is not the "money supply" as such with which the authorities should be concerned.

The Commission laid considerable stress on the similar effects of monetary policy and debt management on credit conditions (pp 425, 449-50). It thus argued the need for close co-ordination of the two strands of policy (p. 456). Nevertheless, the Commission found in reviewing the various principles of debt management (pp 451-9) that it is not necessary to press a strong counter-cyclical debt management policy in season and out (pp 456-7). The general monetary instruments can normally influence credit conditions sufficiently as long as debt management policy is not actively impeding them; at times, nonetheless, debt operations can be extremely helpful in establishing the right set of credit conditions. (For the Commission's comments on "index" bonds and Canada Savings Bonds, see pp 458-9).

(b) Selective credit controls

The Commission rejects the view that stronger financial policy effects should be sought by frequent use of selective credit controls such as asset ratios imposed on financial institutions or manipulation