External Affairs
Supplementary Paper

No. 64/1 Summary of the Report of the Royal Commission on Banking and Finance

I Background of Commission and structure of the Report

The 350,000 word report of the Royal Commission on Banking and Finance was tabled in Parliament today. The 566 page document, containing 86 tables and 47 charts, provides a comprehensive analysis of Canadian financial institutions and markets and of the impact of government financial policy on the economy. It makes a number of wide-ranging recommendations designed to encourage a more creative and competitive banking and financial system, and to enhance the effectiveness of financial policy.

The Commission was appointed by the Progressive Conservative government on October 18th 1961 to report upon the structure and methods of operation of the Canadian financial system and to make recommendations for its improvement, with particular reference to the Bank Act, the Bank of Canada Act, the Quebec Savings Banks Act and other relevant federal legislation (pp. 569-70).

Under the chairmanship of the Honourable Dana Porter, Chief Justice of Ontario and former Provincial Treasurer of that province, the Commission held 69 days of hearings in 11 centres across Canada in 1962 and early 1963 (p. 570). Over 100 briefs and numerous other communications were received (pp. 573-5) and almost 3 million words of evidence were heard by the Commissioners.

The only previous review of Canada's financial machinery was that carried out in 1933 by the Macmillan Commission (the Royal Commission on Banking and Currency). In its 58 day life that body turned out a 75 page report recommending the establishment of the Bank of Canada; the Bank was incorporated the following year.

The Porter Commission report opens with a review of the major changes that have occurred in the financial system since 1933; it then deals with the financial position and needs of individuals, businesses and

governments and with the role of foreign capital in the Canadian economy; these chapters are followed by a detailed discussion of the financial institutions and markets and the ways in which they channel funds from savers to borrowers, the principal postwar changes and developments in them, and the patterns of competition for lending and borrowing business. These chapters on each of the main types of institution and markets are followed by two chapters (18 and 19) containing the main banking and other institutional recommendations of the Commission.

The report then turns to a discussion of the main aims of government financial policy - monetary policy, debt management, international financial policy and fiscal policy. The choice and co-ordination of policy measures is discussed in Chapter 25, while Chapter 26 deals with the status and organization of the Bank of Canada.

The Commission will subsequently publish an appendix volume containing statistical material and the detailed results of some of its surveys - including those on the effectiveness of monetary policy, on the financial position and attitudes of the consumer sector, and on the estates trust and agency accounts of trust companies. A limited number of its staff working papers will also be released in mimeographed form (p. 576).

Other members of the Commission were : W. A. Mackintosh, Vice-Chancellor of Queen's University; W. T. Brown, Vancouver investment dealer; J. D. Gibson, vice-president and chief general manager of the Bank of Nova Scotia; Gordon L. Harrold, president of the Alberta Wheat Pool; Paul H. Leman, executive vice-president of the Aluminum Company of Canada; and J. C. MacKeen, chairman of Nova Scotia Light and Power Company (p. 569).

Total cost of the Commission will be under $750,000.

II The Commission's analysis and recommendations on the financial institutions

The central theme of the Commission's report on the institutions is that a creative and flexible financial system will best serve the country's changing needs :

"A creative financial system is one which does not just passively accommodate the usual - instead it is one in which active and inventive efforts are constantly being made to meet the sound requirements of lenders and borrowers, regardless of how untried and unusual such needs may be. A spirit of vigorous, restless innovation in the financial system - of devising new ways to do new things rather than of justifying why they should never be done at all - can ordinarily best be achieved in conditions under which the participants are not prevented from responding to changed opportunities, in which price and other competition is too intensive to be comfortable, in which there is relative ease of entry for honest men with ideas and imagination, and in which different classes of institution can compete with each other on an equitable and open basis." (pp. 8 - 9)

Drawing attention to the evolution of the financial system in recent years and to the increased variety and overlapping of institutions, (pp. 104-8, 360-3), the Commission argues that the pattern of government regulation is no longer well-suited to the country's needs. Some laws needlessly restrict the institutions, serve no purpose in protecting the public and in fact reduce the availability of credit to some borrowers and drive them into the arms of high-cost lenders. (pp. 364-7). In other areas, the public supervision of financial business is inadequate and the public is unduly exposed to the risks of mismanagement or worse (pp. 362-4, 380-1).

The Commission points out in dealing with the banks and so-called 'near-banks' that "the borrowing and lending activities of those institutions which we in Canada happen by tradition to call banks and those of other institutions which we happen to call by other names have become very similar, and in some respects indistinguishable". (p. 362) Pointing out that there is no difference in the ability of banks and others to "create credit", (pp. 101-2) the Commission states that the essential similarity of the short-term institutions argues for uniform banking legislation rather than the present pattern of regulation under which ten institutions (including the two Quebec Savings Banks) are arbitrarily brought under federal banking regulation while others operate under a variety of laws with many contradictory provisions.

The Commission argues throughout its report that the best way of reconciling the need to protect the public with the need to keep the financial system flexible enough to serve the changing requirements of the economy is through high standards of self regulation and disclosure backed by a thorough, but not rigid, system of government inspection (pp. 140-1, 380-2); in this connection, the government authorities must have adequate powers to enforce sound practices (p. 381). The Commission explicitly rejects rigid asset ratios (such as those which limit the type and amount of securities and loans that insurance companies or Quebec Savings Banks may invest in) since such ratios do not protect the public against loss and only serve to reduce the flows, and increase the costs, of credit to borrowers (pp. 152-3, 358).

In recommending that all institutions, particularly the banking institutions, should have broader investing and borrowing powers than any of them has at present in order to promote a more competitive and flexible financial system, the Commission also recommends that steps be taken to guard against excessive concentration of the financial system and to outlaw price agreements among financial institutions (pp. 369-73). As the Commission puts it ... "competition is an uneasy state, and however much they may thrive under it, businessmen have an inclination to protect themselves against it." (p. 369). The Commission thus recommends that the Minister of Finance be granted the necessary powers to prevent lending and borrowing agreements among banking institutions (p. 369-70), that there be a limit on the extent of interlocking directorates between banking institutions and that (subject to certain exceptions) mergers or share acquisitions between banking institutions be subject to approval of Treasury Board (pp. 370-3). The Board should also be granted power to review past transactions and to order such remedy as is necessary to protect competition in the public interest (p. 372). In addition, the Commission recommends that limits be placed on the banking institutions' investments in non-financial and non-banking concerns (p. 371, 372).

The Commission argues that the adoption of uniform banking legislation will not oblige all banks to do the same business. Some will be large national organizations attempting to provide a complete service but some will be regional institutions and some will specialize in particular types of borrowing and lending (page 367). Such diversity will make for a strong financial system. The Commission recommends that it be recognized in the names of the banking institutions: all but the chartered banks should be required to qualify the word "bank" in order to indicate the character or background of their business (page 379). One distinction should be retained temporarily during the period of adjustment to the new legislation. Although the trust companies should be free to carry on with their fiduciary business as banking institutions, the Commission recommends that the chartered banks, which might be tempted to rush in headlong, should not be permitted to apply for trustee powers immediately (pages 373 and 380).

As the Commission puts it:

> "We have, in summary, favoured a more open and competitive banking system - carefully and equitably regulated under uniform legislation but not bound by restrictions which impede the response of the institutions to new situations, enforce a particular pattern of narrow specialization or shelter some enterprises from competitive pressures. We believe that this framework will encourage creativity and efficiency and offer the public the widest possible range of choice of financial services, while reducing the danger of unregulated institutions springing up to serve real needs which others are prevented from meeting. Some institutions may attempt to offer a full range of services and others may choose to specialize in a variety of ways, but the legislation will allow all of them - and such new institutions as are qualified - to adapt to new opportunities and situations created by changing public preferences and needs." (p, 564).

(a) <u>More specific banking recommendations</u>

(i) <u>Definition of banking</u>

Acknowledging that any definition of banks and banking must be somewhat arbitrary, the Commission argues that the line can and should be more rationally drawn than at present. (pp. 362-3, 377-380). All institutions which issue transferable, demand and short-term claims (the Commission

includes claims with an original term up to 100 days) to the public are for all practical purposes the same as chartered or savings banks. Some specific exceptions to this extended coverage of the banking legislation are suggested in cases where the public is adequately protected in other ways and the advantages of uniform borrowing and lending powers are less important. For instance many sales finance companies issue short-term market paper, but so long as they do so through independent dealers and are subject to the disclosure and other requirements of good securities legislation, there is no need to bring them under the banking legislation (pp. 378-79). The caisses populaires and credit unions are local institutions and the Commission argues that they can best be regulated by provincial authorities familiar with their particular needs. However steps must be taken to strengthen their supervision and the central societies should be brought under the general legislation, appropriately modified in recognition of their co-operative structure. (pp. 168-71).

Thus, the chartered and savings banks, many trust and loan companies and any other institutions wishing to obtain funds by issuing "banking liabilities" would be under one banking law. Those who did not meet the qualifications for a bank charter or license would be prohibited from engaging in banking business (p. 364).

(ii) <u>The 6% ceiling and the mortgage prohibition</u>

Removal of both these limitations is recommended since they inhibit competition and the provision of necessary financial services and frequently cause borrowers to resort to higher cost lenders (pp. 364-7). Banking institutions other than the present chartered banks should be empowered to make unsecured personal and business loans and to take Section 88 security (p. 375). The resulting increase in competition and institutional freedom to specialize as they choose will result in improved and cheaper service to the community as a whole.

(iii) Capital and inner reserves

The law should not contain minimum capital to asset ratios such as those in present loan and trust company legislation since a formula adequate for some institutions will be inadequate for others. Rather, the authorities must ensure that each institution maintains adequate capital for its particular circumstances (pp. 176, 383-6).

The Commission believes that there is a case for allowing banking institutions to accumulate tax-free inner reserves, but recommends that the present variable ratio be replaced by a fixed maximum percentage and that specific and general contingency reserves be separated. It does not see any compelling argument against disclosure of these amounts, and recommends that at least the combined reserves and annual loss figures for all banks be disclosed (pp. 386-9).

It is recommended that the present restrictions on the par value and issue price of bank shares be removed but the present provisions relating to issuing shares by rights to existing shareholders should be retained (pp. 143-4). The effect would be to leave each bank free to split its stock and set the rights price of its shares closer to the market; this would reduce the dilution of bank capital and would not affect the share-holders' equity in the long run.

The present prohibition on banks lending against bank shares is sound, but exceptions might be made for smaller loans to individuals (p. 383).

(iv) Cash reserves and the clearing system

Since all banking institutions will have similar powers, the Commission recommends that in equity they should all be subject to the same cash reserves and that these reserves be held at the Bank of Canada (pp. 390-4). The proposed rules call for 8% cash reserves against demand liabilities and those redeemable on short notice, 4% reserves against all genuine notice liabilities with original terms up to one year and no reserves against longer-term liabilities. These requirements would enable

the chartered banks to reduce their holdings of non-earning cash assets below the present 8% and, by being related to the structure of each bank's liabilities, would not impose excessive cash holdings on any institution. The Commission stresses that the extension of reserve requirements to the "near-banks" will not affect their response to central bank action. They are strongly influenced by monetary policy whatever the reserve arrangements (pp 96,390-1).

The Commission also recommends that the charging of exchange on out-of-town cheques be prohibited and that the Bank of Canada be empowered to act as a clearing agent for any institution desiring these services (pp. 393-4).

(v) Foreign banks in Canada

The Commission recommends that foreign banks be granted the power to open agencies in Canada, as Canadian banks are in New York, in order that they may pursue their business interests in Canada without necessarily acquiring Canadian institutions. Because of the concentration of power that may be involved in foreign banks acquiring interests in Canadian banking institutions, it is recommended that all acquisitions of Canadian bank shares by foreign banks be subject to Treasury Board approval. The Commission does not believe that foreign-controlled banks are immune to domestic monetary policy and states that foreign banks might in some circumstances improve the Canadian banking system, but regards it as anomalous that there should be no government control over foreign bank takeovers while prohibiting or subjecting to official scrutiny takeovers by Canadian institutions. This direct approach is preferred to other devices or formulas since each case must be considered in relation to its effects on competition and concentration (pp 373-5).

(vi) Small Loans Act

The present ceiling of $1,500 should be raised to $5,000, the rate structure revised so as not to discourage lenders, and the Act should apply to all lenders - including the banks (pp 382-3).

(b) Other institutional and market recommendations

(i) Insurance company investments

To promote a freer flow of funds into Canadian equities, the Commission recommends that insurance companies be allowed to invest at least 25% of their funds in common stocks and that the present rigid valuation rules be relaxed. However, these changes are not expected to lead to a radical alteration in company investment policies (pp 247-50).

(ii) The mortgage market

The N.H.A. rate should be freed (subject to an upper limit) so that it does not inhibit private lending and discourage a secondary market in mortgages (p.285). This would overcome the disruptions resulting from the excessive rigidity in the rate: it would also enable C.M.H.C. to withdraw from the massive residual lending of recent years.

The Commission also recommends that institutional loan to value ratios on mortgage lending be raised from 66 2/3% (60% for the Quebec Savings Banks) to 75% and that banking institutions be free to grant second mortgage loans (pp 287-8).

These changes, together with entry of the banks into conventional mortgage lending, should improve the supply of mortgages, curb the need for borrowers to turn to high-rate second mortgage lenders and make it unnecessary to extend government guarantees to existing properties (pp 278-9, 287-8).

The government would still be free to vary down payments and other N.H.A. terms to stabilize the economy, but this should be a conscious act of policy rather than the by-product of its mortgage lending arrangements (pp 285-6).

(iii) Government lending and guarantees

In other areas where government financial institutions operate or government guarantees are offered, the objective should also be to encourage the private markets to do the job themselves to the fullest extent possible. Thus the Commission argues that the economy will be better served if the rates charged by the Farm Credit Corporation and the Industrial Development Bank move more closely with market rates so private lending is not inhibited (pp 229-32); the Commission recommends raising the maximum amounts of F.C.C. loans to handle the requirements of larger farms. The rates on Farm Improvement Loans and other private loans guaranteed by the government have not moved with market rates since the programmes were instituted: private lending is thus actually discouraged by legislation intended to help particular borrowers (pp 233-4). Finally, on the question of government financial institutions the Commission briefly reviews some aspects of public pension arrangements. Without putting forward specific proposals of its own, the Commission stresses the great importance of giving the most careful thought to this matter before committing the country to arrangements which may have major consequences for financial markets and the economy generally (pp 262-4).

(iv) Bond and stock markets and securities legislation

The Commission's main recommendations are designed to ensure that abuses do not reduce the efficiency of the markets and reduce or distort the flows of funds through them (pp 344-5). While stressing the vital role of self-regulation by the securities industry (p 347), the report argues that it must be supported by good securities legislation enforced by strong securities commissions. Despite considerable progress, the Commission finds the present situation unsatisfactory and recommends that the federal government take the lead in cooperation with provincial governments to

develop high and uniform standards of security legislation and regulation. (p. 348).

The report also draws attention to some particular problems which should be tackled if Canadians are to be encouraged to invest in Canadian businesses. The stock exchanges should impose more stringent listing and disclosure standards, including more disclosure of "insider" holdings and trading (pp 337-8). "Standards of disclosure in this country are still inadequate" and should be improved by securities and companies acts (pp 349-352). Brokers and dealers should also be urged to disclose their own financial affairs much more fully. The Commission recommends that the primary distribution of shares through stock exchanges, which opens the way to abuse of investors' interests, should be stopped. In order to ensure that unregulated companies are not free to solicit funds from the public,the steps taken by some provinces to remove exemptions for short-term issues from their securities legislation should be generally adopted (pp 352-53). Finally, securities and mutual fund salesmen should be more carefully examined than at present before receiving their licences (p.353).

(c) Non-financial participants

The Commission reviews the results of its exhaustive survey of the financial position of 1200 Canadian households in Chapter 2. It finds that the pattern of assets and debts is generally rational (pp 16-22); that few households are abusing their borrowing powers (p. 21); and that much instalment and mortgage debt merely replaces previous real but unrecorded commitments for rent, laundry services, transportation, etc. It also finds that lower individual equity holdings in Canada than in the U.S. are largely due to the lower incomes of Canadians, and a lower supply of equities, although investor attitudes may also be important (pp 30, 335-6). Increased equity holdings will thus not be brought about merely by exhortation: securities and disclosure legislation, tax incentives and increasing real standards of living are more important factors (p. 31).

The Commission notes that the financial position of provinces and most municipalities is generally strong despite the sizable deficits of recent years (pp 58-60, 73). Some smaller municipalities have more problems in obtaining finance than their position would appear to justify, but in many cases provincial governments could remedy this problem by assisting them to prepare more comprehensive and up-to-date information for investors (pp 64-5, 71). In general, the problems of provincial and municipal governments are more related to their revenue sources than to the capital markets (pp 60, 70-1). (For a discussion of provincial and municipal borrowing in foreign markets and of their use of savings bonds, see pp 66-9).

The Commission draws attention to the heavy use by business of internal funds (pp 34, 37-9). However, it does not find this has led to serious misallocation of funds since almost all firms meet market tests in one way or another (p. 42).

The Commission received conflicting evidence on the financing problem of small business (pp 43-6). Its judgment is that there is no wide gap in financing facilities (pp 45,230), but that some problem exists for firms with borrowing needs in the range of $10,000-$100,000 (p. 45). Many of the difficulties of small business are managerial rather than financial and some of them are due to the reluctance of the owners of small business to sell any of their equity to those being asked to put up high-risk funds (pp 44, 230).

III Financial Policy

(a) Monetary policy and debt management

The Commission's studies of the main instruments of general economic policy included econometric work and detailed surveys of the response of corporations, governments and individuals to changes in credit conditions. The Commissioners conclude that while monetary policy can have

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

of the down payment and other terms of mortgages and consumer credit (pp 473-77). Such measures distort markets and are unlikely to retain their effectiveness since those wanting funds and those having them available will soon find ways to circumvent these barriers (pp 473-74). The net result would thus be higher costs and lowered efficiency.

The Commission finds that the present power to vary required cash ratios from 8% to 12% is of no particular use and that the chartered banks' agreement with the Bank of Canada to observe a 15% secondary liquid asset minimum should not be retained (pp 474-75). If such controls are to be imposed on institutions by "moral suasion" or otherwise, it should only be done with the government's specific approval (p. 476).

(c) Foreign ownership and investment

Similarly, the Commission rejects the use of direct controls on international capital flows as disrupting to the efficient working of economic incentives and as having harmful long-term effects (pp 497, 528). The report contains a number of recommendations to improve Canadians' willingness to invest in equities but does not favour direct measures against foreign investment (pp 86-7, 495-7). The cost of servicing Canada's foreign indebtedness, although large, is smaller in relation to the country's total output and export earnings than it has been in the past (pp 83-4). The country will no doubt continue to draw in resources from abroad at some times but on balance the economy need not be a large net user of foreign funds if soundly managed at home (pp 88, 502-4). In this connection the report points out that much of the capital inflow from 1958 to 1961 stemmed from inappropriate domestic credit policies (pp 81-3, 489).

(d) Fiscal policy

Given the limited effectiveness of monetary policy, the sound management of the economy will depend on vigorous use of other arms of policy in concert with it. Much will depend on governments' willingness and

ability to use fiscal policy (pp 505-7). To be acceptable and useful, fiscal measures cannot be haphazard and unco-ordinated; they must include tax as well as expenditure changes and the latter must be constructive and reversible (pp 520-1). As the Commission puts it, ". . . a series of minor measures or fiscal steps which have more eye-appeal than effects are no substitute for a broad and well-thought-out general policy which is clearly aimed at stabilizing the economy. Appropriate fiscal deficits or surpluses incurred in sensible ways for sensible purposes are, after all, not national disasters - they are acts of prudent economic management."

(e) Exchange rate policy

Fiscal measures take on an increased importance under a fixed exchange rate system. This is partly because monetary policy has less effect on expenditures when it does not induce changes in the value of the Canadian dollar (pp 435-6, 442, 444). However, it is also because international capital flows which affect Canada's holdings of exchange reserves are particularly sensitive to interest-rate differentials; thus, the monetary authorities' freedom to pursue policies widely divergent from those elsewhere, particularly the United States, is limited (pp 472-3, 489-92).

The Commission takes the view that the present exchange rate parity is an appropriate one (p. 503) and points out that the difference between a fixed and flexible exchange rate system is not as great as is sometimes believed (pp 488-90). Nevertheless, the fixed rate will involve large swings in the official reserves from time to time (pp 491-2, 495) and impose limits on domestic policy. However, the Commission believes that frequent changes in a fixed rate are not practical (p. 492) although it does not rule out the occasional change in the long-run.

(f) International liquidity and gold

The Commission stresses the importance of Canada participating fully in the discussions for improving international payments arrangements and liquidity in order to minimize the conflicts between external financial considerations and domestic policy goals (pp 498-503). However, it rejects the view that a revaluation of gold would provide an equitable, sensible or lasting solution to the problem (p. 502).

(g) Co-ordination of policy

In view of the close inter-relations among policies, they must be carefully co-ordinated if they are to have maximum effect in stabilizing the economy (pp 523-5). The most important objective of the policy-makers must be to read the economic situation as carefully as they can and to ensure that the combination of policy instruments is working in the right direction. The Commission argues that it is not disastrous if there are short-term lags in adjusting policy (pp 466, 536), and in any event the delays in the effects of policy changes are such that one cannot hope to have any precise control over short periods. Yet if the general set of policy is persistently wrong, little help can be expected from an array of special measures including attempts to regulate incomes and wages (pp 532-3). Nevertheless, specific measures - to improve the mobility and skills of labour, for example - can be helpful (pp 527-531).

(h) Techniques of monetary policy

On the more technical aspects of monetary and debt policy, such as the method of calculating cash reserve requirements (pp 461-63), the different ways of administering Bank Rate (pp 464-65) and techniques of debt issue (pp 457-58), the Commission takes the view that the authorities should adopt techniques which do not needlessly disrupt financial markets.

However, it views these matters as of secondary importance compared to achieving an appropriate "set" of policy (p. 531).

(i) Bank of Canada

In discussing the role of the Bank of Canada, the Commission emphasizes the advantages of providing it with some independence within the government organization (pp 540-42). At the same time the government has final responsibility and must be able to exercise final control if it disagrees with the central bank. The Commission accordingly recommends that the Bank of Canada Act provide the Minister of Finance with the right to issue a specific directive to the Bank as to the action he wishes it to take (p.543). The Commission does not expect the directive procedure to be used except in rare circumstances when all attempts at reconciling differences of view have failed, and notes that directives have not been issued in other countries (pp 543-4).

In its discussion of the internal organization of the Bank of Canada, (the organization of other policy-making arms of government is discussed on pp 533-6) the Commission recommended that efforts be made to strengthen the Bank's contacts with financial markets and the country generally (pp 550, 552-555). The Commission suggests that it might be desirable to develop the role of the Bank's agents in Montreal and Toronto and also stresses the importance of appointing highly-qualified men as directors of the Bank and of ensuring that they are fully consulted about important changes in policy and the general management of the Bank (pp 545-49). A separate board for the I.D.B. is also recommended (p.230). Finally, it is proposed that the Bank consider setting up regional committees in the main regions of the country as a means of keeping well-informed about developments throughout the country (p. 549). (Recommendations are also made about the Governor's veto power (p. 551), the gold ratio and redemption provisions, the Bank acting as a fiscal agent for the provinces, and a number of other matters (pp 556-7)).

(j) Summary views of policy

In summary, while the Commission stresses that there are limits to what can be accomplished by policy (pp 397-8, 536-7), and that there are no automatic formulae to guide the authorities, it believes that well-thought-out and co-ordinated measures and strong leadership can greatly improve the performance of the economy and minimize conflicts among objectives.

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