

SPEECHES

I did not make any speeches after June 1957 until October 1959. The change of Government, the controversy over monetary policy and uncertainty over the views on monetary policy which would be expressed by the new Government, the fact that another election was to be held and ultimately was held in March 1958, the large deficit and the effect which it had on investor confidence in May and June 1958, the period of the Conversion Loan and its aftermath during the remainder of 1958, and the development of what was to be described as a new "tight money" situation in 1959, all had the effect of putting off any thoughts I might have had of making public speeches. During 1959, however, my directors began to express views to the effect that the Bank's position in the current "tight money" controversy should be explained. It was clear to me that both my Board of directors and the Minister of Finance were solidly in favour of the kind of monetary policy which the Bank of Canada was carrying out under my management.

The controversy over "tight money" arising out of the extraordinarily heavy demand for funds in the first part of 1959 and the resulting fall in bond prices, rise in treasury bill rates and increasingly cautious attitude of the chartered banks with respect to their loan policies came to a head, as is well known, in August 1959. The situation gradually improved thereafter. The Prime Minister publicly endorsed sound money in a television speech on October 1, 1959. The Minister of Finance made a strong speech in Toronto on October 8, 1959, on the subject "Expansion without Inflation". The Government had now stated its position with regard to the "tight money" controversy and had supported unmistakably the sound money policies of the Bank of Canada. My directors renewed their suggestions that I should make some speeches, and one director, Mr. J. T. Bryden of Toronto, let it be known to the Canadian Club of Montreal that I would respond affirmatively to an invitation.

I spoke in Montreal on November 16, 1959, and followed this up with a speech to the Investment Dealers Association in Toronto on December 14, 1959. A complete list of my speeches from November 1959 to June 1961 is attached.

My directors urged me to make more speeches, and I did so. They appeared to be well received by many sections of public opinion. My objects were:

- (1) to encourage greater public information and public discussion of sound monetary policies;
- (2) to point out how monetary policy was affected by activities in other fields of economic policy;
- (3) to point to the growing danger to the Canadian economy and to the maintenance of sound money that lay in the continuation of very large deficits in our international balance of payments and in the growing domination of Canadian economic activity by large foreign corporations;
- (4) to emphasize that monetary policy could not do the whole job alone and, as was being emphasized by central bankers all over the world, should not be expected to carry the whole of the burden of economic policy;
- (5) to bring prominently before public opinion the fact that unemployment in general, and in particular the kind of unemployment that had been trending upward in Canada, notwithstanding variations in the business cycle, was not likely to be overcome merely by the use of monetary policy, and that too vigorous an expansionist use of monetary policy would do more harm than good; and
- (6) to encourage widespread discussion by others of possible other means of utilizing the whole field of economic policy to achieve economic and social purposes.

Unfortunately during the past year or so some of Mr. Fleming's statements in the House of Commons and elsewhere have created an impression in the minds of many that the Bank of Canada was in some sense operating in a

world of its own in an irresponsible manner which the Government did not approve of. During this time also certain voices, such as those of some academic economists and some members of Parliament, particularly members of the opposition parties, became increasingly vocal in favour of easy money policies which I felt would be dangerous to the public welfare. I felt it was not enough --- as I said in Toronto on November 14, 1960 --- merely to express a negative attitude to such proposals, but that I had a duty to try to point out possible avenues worth exploring in other fields of economic policy, although I did not make any specific recommendations myself.

I felt then, and I feel now, that I had the wholehearted support of my Board of directors and of many responsible elements in the community for the line I was taking. I had many letters and other messages from individual directors to this effect. At the meeting of the Board of directors of the Bank of Canada on November 21st, 1960, unanimous approval was expressed of my speeches in Calgary on October 5, 1960, and in Toronto on November 14, 1960.

At the Board meeting of February 20, 1961, some Directors expressed concern at the growing amount of political controversy centering around my speeches. I myself felt this was due to the adverse views held by members of the opposition parties in Parliament. They attacked my views and also attacked the Government and the Minister of Finance for not either supporting or disavowing the views which I was expressing. It was in this way, and only in this way, that it could be said that my speeches became the subject of political controversy. I did not at any time make speeches of a partisan character and it is quite obvious that many views I expressed encountered more adverse comment from members of the opposition parties in Parliament than from members of the Government party.

Indeed, a number of Cabinet Ministers and officials made speeches in which they expressed views about Canada's economic problems very similar to those I was expressing. They went on doing this into March and April, and as late as June 27, 1961, the Honourable Noel Dorion in the Budget debate expressed views on the evils of foreign investment in Canada considerably

stronger than anything I had ever said. I have a file of extracts from speeches by a number of Cabinet Ministers and officials, some of them being speeches made in Canada and some of them being speeches made in the United States, which may be of interest in this connection.

On February 20th Mr. Fleming wrote me a letter in which he said that the inherent limitations of monetary policy had not yet been adequately explained to the people of Canada. My speeches, of course, were designed to do this, but the Minister felt that more yet needed to be done. On February 21st in the House of Commons the Minister said there was no reason why I should consult him about my speeches.

Actually, I did not accept any further speaking engagements after some of my directors on February 20th expressed concern about the uses to which my speeches were being put by politicians. I did, however, fulfil two outstanding commitments, namely to speak in New York on March 7th and at Bishop's University, Lennoxville, on March 17th.

The first intimation Mr. Fleming gave me of concern about my speeches was on March 18, 1961. I did not make any speeches after that date except for one which I think met with general approval, certainly on the part of my directors, made in Quebec City on June 12, 1961, on the occasion of holding a meeting of the Board of directors of the Bank of Canada and of the Industrial Development Bank in that city. I also made some general remarks when I attended a meeting of the Senate Committee on Manpower and Employment, at their request, on April 26th.

I should like to make clear that I myself did not feel and do not feel that there was anything improper in my making speeches of this character. On the contrary, I felt that in my position and having regard to the economic problems which were steadily becoming more serious in Canada it was my duty to make speeches of this character. I could not make speeches merely of a kind which would be approved by the Government, and which would therefore be disapproved by persons opposed to the Government. I took no thought for political considerations, but put before the public the

views which I myself had formed together with a considerable amount of factual information about our economic circumstances. I did the same thing over the years in my Annual Reports.

In this connection I should like to quote once more from the splendid report of the Senate Committee on Manpower and Employment which was made public on June 14th: "Monetary policy should be accompanied by a complementary fiscal policy which (a) is designed to promote expansion in the critical sectors of the economy, and (b) is settled so as to remove discouraging uncertainties. . . . The idea that monetary and fiscal policies are independently determined and can be separately pursued is incompatible with the realities of a highly complex money and exchange economy in which the operations of government play so large a part. "

As I said in my public statement on June 19th, the reason why I felt an obligation, as Governor of Canada's central bank, to develop views on these matters is that full employment and economic growth are intimately bound up with the maintenance of a sound currency. There is urgent need to adopt non-inflationary policies adequate to restore economic growth and achieve some minimum standard of full employment --- otherwise we shall be forced by the march of events into unsound policies, inflationary policies, which it will be alleged are necessary.

SPEECHES 1959-1961

by J. E. Coyne, Governor of the Bank of Canada

<u>Date</u>	<u>Organization or occasion</u>	<u>Place</u>	<u>Title</u>
Nov. 16/59	The Canadian Club	Montreal	"Money and Growth"
Dec. 14/59	Investment Dealers' Association of Canada (Ontario district)	Toronto	"Credit and Capital"
Jan. 18/60	The Canadian Club	Winnipeg	"Living Within Our Means"
Mar. 22/60	Retail Merchants' Association	Saskatoon	"Sound Money for Sound Growth"
May 12/60	Ontario Chamber of Commerce	Hamilton	"Inflation and Unemployment"
June 29/60	Canadian Club & Board of Trade	Vancouver	"Two Banks - One Aim"
Oct. 5/60	Canadian Chamber of Commerce	Calgary	"Living Within Our Means by Expanding Our Means to Live Better"
Nov. 14/60	The Canadian Club	Toronto	"Foreign Debt and Unemployment"
Jan. 17/61	Business Paper Editors Association	Ottawa	Notes for Remarks
Jan. 31/61	Newfoundland Board of Trade	St. John's	"Strong Roots for New Growth"
Mar. 7/61	Economic Club of New York	New York	"Balance of Payment Problems in North America"
Mar. 17/61	Bishop's University	Lennoxville	"Canada's Economic Growth in the Sixties"
Apr. 26/61	Senate Committee	Ottawa	Remarks before Senate Committee on Manpower and Employment
June 12/61	Chamber of Commerce	Quebec	"Financing Economic Growth and Business Expansion"