

July 6, 1961

STATEMENT BY J. E. COYNE,  
GOVERNOR OF THE BANK OF CANADA

In the House of Commons yesterday Mr. Diefenbaker said the supreme court of Parliament had before it my side of the case "as set forth in the letters which he has issued from time to time", and that this meant that there had been no interference with my rights and obligations under the Bill of Rights or otherwise. This statement sounds very strange considering that other members of the Government party have violently attacked me for having dared to say anything in public in relation to these matters.

My public statements and the documents which I released as a matter of public information were issued only in response to attacks on myself and threats of attacks on myself by members of the Government, and because Mr. Fleming and the Government persistently refused and used their majority in Parliament to prevent my being allowed to appear before the appropriate Parliamentary body.

Mr. Fleming told two of my directors in Ottawa on June 2nd that the Government was going to bring in a Bill to remove me. This was eleven days before I issued my statement on June 13th saying that I would not submit to a request for my resignation couched in the terms he had used in talking to me and to directors. By Mr. Fleming's record in this matter in the past it was clear that I was to be given no chance to appear before the High Court of Parliament, which was to be asked and indeed forced by the Government majority to condemn me unheard.

Mr. Diefenbaker said my letters and statements constitute the record before Parliament. If so, it is a very incomplete record. I should be glad to produce more letters, many more. I am prepared to be questioned about them, to amplify and explain the substance of the matters referred to --- but this the Government, Mr. Fleming and Mr. Diefenbaker will not permit.

One of the many points on which Mr. Fleming has deceived and misled Parliament and misrepresented my views and the views of others has to do with a "request" which he said was made in the winter of 1957-58 with regard to the liquidity reserves of the chartered banks. In the course of a half dozen speeches which he has made during three weeks of debate this is the one and only instance that Mr. Fleming can apparently allege of lack of co-operation on my part. Indeed, Mr. Fleming said, on June 26th and other occasions since, that the whole question of the Government's relations with me and with the Bank in regard to monetary policy and monetary operations had been "set within the framework" of my position with respect to this one matter, the liquidity reserves of the chartered banks.

In the public interest I feel I must now make public a statement giving the true facts about this matter, together with an exchange of letters between Mr. Fleming and myself in November and December 1958. 1957

It will be observed that Mr. Fleming's views on this question were opposed by his own Deputy Minister and by all but one of the chartered banks. Also that I did not "reject" the Minister's request "flatly, firmly and angrily" as he charges but laboured patiently in meetings and letters over a period of weeks to improve Mr. Fleming's understanding of this matter. Also that I did not claim that this matter came within the exclusive jurisdiction of the Bank of Canada (as he charges) but expressed quite an opposite view and suggested that Mr. Fleming speak to the chartered banks himself, and he did so. In several talks with the presidents of the chartered banks he found no support for the suggestion which had been made to him by his friend Mr. A. C. Ashforth, President of the Toronto-Dominion Bank, who himself failed in his efforts to rouse the other banks to join with him on this point.

Finally, it will be observed that the Minister himself was converted to the point of view of the rest of us and defended the liquidity reserve arrangement in a speech in the House of Commons on April 28th, 1959.

Mr. Diefenbaker's contribution to this debate was to charge that my letters and statements were "dictated" by Mr. J. W. Pickersgill, M.P. Mr. Diefenbaker has been the evil genius behind this whole matter. It was his unbridled malice and vindictiveness which seized on the Bank of Canada's pension fund provisions with respect to the Governor and Deputy Governor as a clever stick with which to beat me, and intimidate me. If he had succeeded in getting me to resign meekly under such a threat, he would then have launched a smear campaign against me, which would have been represented as all the more damning because I had meekly resigned and admitted my error and guilt. Mr. Diefenbaker boasted about this in advance to some close friends. One of these was not so close as he thought.

I am still amazed that Mr. Fleming went through many months of budget preparation without asking me to discuss the suggestions in my memorandum of February 15th. I continued to expect to hear from him, as he had suggested. I suspect he did not show that memorandum to any of his colleagues. I wonder if Mr. Diefenbaker ever read it.

The item in my memorandum that has been the subject of the most scornful attack by Mr. Fleming and other members of the Government party was the proposal for a temporary tariff surcharge of 10% on a list of imports of manufactured goods which could be produced in Canada, the rate to gradually decline and disappear at the end of six years. It has been suggested that this would be an international crime and that no reasonable person could possibly support it, that the case is not even arguable.

I discussed proposals of this character on a number of occasions with two of the most eminent economists in the Government service, both of whom favoured the general idea. I am not sure but that the idea originated with one of them, although he favoured a rate of only 3% or 5%. My proposal to Mr. Fleming recommended a declining sliding scale, starting at 10% and reducing to zero over a period of six years, so the average would not be much over 5%, and accompanied by a removal of the federal sales tax on a variety of goods. I shall be glad to amplify this proposal and show how in every way it is more effective for encouraging increased employment in Canada, for preventing increases in costs of production and the cost of living, and for avoiding serious difficulties with other countries, than competitive exchange depreciation of the Canadian dollar to a substantial discount. The charge that prior to May 30th I was "restrictionist" and Mr. Fleming was "expansionist" would be readily disproved before a Parliamentary Committee.