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BANKING, TRADE AND COMMERCE

MOTION TO AUTHORIZE COMMITTEE TO
STUDY THE NEED TO REVIEW THE BANK OF
CANADA ACT—DEBATE ADJOURNED

Speech by:

The Honourable Diane Bellemare

Tuesday, March 10, 2020

THE SENATE

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[Translation]

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MOTION TO AUTHORIZE COMMITTEE TO STUDY THE NEED TO REVIEW THE BANK OF CANADA ACT—DEBATE ADJOURNED

Hon. Diane Bellemare: Honourable senators, my speech will be brief. The time has come to review the Bank of Canada Act, which was passed in 1934, to ensure that it reflects modern practices.

The Senate, and specifically the Standing Senate Committee on Banking, Trade and Commerce, is well positioned to carefully examine this issue and propose the appropriate changes.

[English]

In an inquiry that I delivered in this chamber on April 30, 2019, I explained the reasons why the time has come to revisit the Bank of Canada Act. I will not repeat all of the arguments raised during that inquiry. But let's remember that the Bank of Canada Act received Royal Assent on July 3, 1934, and it has never again been thoroughly reviewed to reflect economic changes and current banking practices.

There is no article in the act specifying the mandate of monetary policy. And yet, since the mid-1970s, the official mandate of the bank is to pursue price stability. It is formalized in a five-year agreement signed by both the bank and the Government of Canada identifying specific targets for the inflation rate. The act makes no mention of the five-year agreement that began in 1991.

Many economists believe that it is time to broaden the bank's official mandate to pursue a dual mandate that includes full and productive employment and price stability. Moreover, many argue that the Bank of Canada Act should also include provisions regarding transparency, as is the case for other central banks.

This motion does not imply that the Bank of Canada is behaving irresponsibly. It is not a confidence vote on the bank — quite the contrary. Indeed, since the last recession, the bank has actively promoted jobs and growth while at the same time targeting a 2% inflation rate. There is a disconnect between the act, the five-year agreement and the practice of the bank that deserves our attention.

In May 2018, on the initiative of Professor Emeritus Mario Seccareccia, 61 Canadian economists signed a letter to the Minister of Finance asking him to consider reviewing the Bank of Canada Act in order to broaden its mandate to include the pursuit of full productive employment and to include specific provisions concerning transparency.

This same letter was signed by experts from all provinces of Canada, most of whom are eminent professors and researchers in economics. I don't have the time to name them all, but I would like to point out that we find among the signatories Drs. Pierre Fortin — well known in Quebec — Lars Osberg from Nova

Scotia, Andrew Sharpe, Marc Lavoie, Louis-Philippe Rochon, Gordon Betcherman from Ontario, and many others from different provinces.

[Translation]

The mandate of the Bank of Canada is a matter of critical interest for Canada and Canadians. It concerns both the uninitiated and the initiated. For instance, since the signing of the letter addressed to the Minister of Finance in May 2018, opinion pieces on the matter have been appeared in *The Globe and Mail*. A lengthy article on monetary policy for lay people was the subject of a column by the economist Pierre Fortin in the November 2019 edition of *L'actualité*. A group of economists gathered to discuss this topic at the Canadian Economics Association's annual conference in Montreal in June 2018. Another conference will be held in September 2020, to be hosted by the Max Bell School of Public Policy at McGill University, on a related topic dealing with monetary policy framework. In short, the public debate on the framework for monetary policy is alive and well. Even the Bank of Canada is organizing information sessions on the framework of the upcoming agreement, which should be signed in 2021 with the Government of Canada.

Colleagues, no matter whether you support the amendments proposed in this motion, I urge you to vote in favour of it, not only because this topic is important to Canadians, but also for three additional reasons. The proposed study to examine the need to review the Bank of Canada Act meets three fundamental criteria that I think justify the committee's work. First is that this topic falls under the Senate's mandate; second is that the nature and scope of the study falls within the means of the Senate; and third is that this involves an impact on public policy and federal acts.

I want to start by talking about why it's appropriate for the Senate of Canada to review the Bank of Canada Act. This review falls well within the Senate's mandate, since the Bank of Canada Act is under federal jurisdiction. The purpose of the motion is to conduct a legislative analysis focused on the economy, which falls within the mandate of the Senate and of the Standing Committee on Banking, Trade and Commerce, which, as it happens, was created just a few months after the creation of Canada, in 1867, and has reviewed a number of very important pieces of legislation since that time. Take, for example, the Banking Act, the Bankruptcy and Insolvency Act, the Companies' Creditors Arrangement Act, the Proceeds of Crime (Money Laundering) Act, and the Business Development Bank of Canada Act. As you can see, the purpose of this motion meets the relevance criteria.

Now let's look at the criteria regarding the nature and scope of the study. Colleagues, this would not be an academic study using sophisticated econometric models. The Senate has tangible means of conducting a study that identifies the aspects of the law that need to be reviewed and proposing practical solutions. In contrast, very few institutions have the power to hear from experts from different backgrounds to explore these issues in a non-partisan way. Very few institutions have the power to hear testimony from various central banks on these subjects. In other

words, this topic fits perfectly within the mandate of the Standing Senate Committee on Banking, Trade and Commerce and is in line with its research capabilities.

Lastly, this study will have a significant impact on federal public policy. Regardless of the nature of the study's findings, they will be extremely important for the future conduct of Canada's monetary policy in an economic context that is very different from that of the 1930s. The challenges that the Bank of Canada is facing today are very different from those of the last century. The Bank of Canada must ensure that the country is operating at full capacity and that all those who want to work are able to do so.

That is what Mark Carney said recently in an interview with the CBC on February 14, 2020.

Indeed, it is necessary for achieving the transitions required because of climate change, new technologies and the aging population.

If the Senate doesn't undertake this study, who else can? The Bank of Canada isn't really in the best position to analyze the legislative framework that governs it. Its input will certainly be important, but the opinions of other experts must also be considered.

The Minister of Finance could lead the study, but he is very busy, and the Department of Finance, which is responsible for the legislative framework of the Bank of Canada, will surely benefit from the Senate study, which will take the time to hear relevant

testimony from experts from diverse backgrounds and from research centres specializing in monetary policy, and will compare the legislative frameworks of other central banks. The Senate is the appropriate parliamentary institution to examine the need to review the Bank of Canada's legislative framework from various angles. The Senate's regional diversity gives it a pan-Canadian perspective that will be vital to carrying out a study on the need to review the Bank of Canada Act.

[English]

In conclusion, the importance of the subject of this motion is indisputable, even more so since great challenges await Canada, such as economic prosperity and maximum sustainable employment in the context of climatic, technological and demographic changes and other unforeseeable events.

The Senate, and more specifically the Standing Senate Committee on Banking, Trade and Commerce, should undertake the study provided for in Motion No. 20. This motion meets the test of relevance, scope and importance of impacts. The subject is relevant with respect to the mandate of the Senate. The scope of the study is realistic in relation to the tangible means available to the Senate to carry out a substantial study on the subject. The impacts of this study on federal public policy are major for the economy of Canada and its regions. For all these reasons, I invite you to adopt this motion, no matter your opinion on the specific amendment proposed in this motion.

Thank you for your attention.
