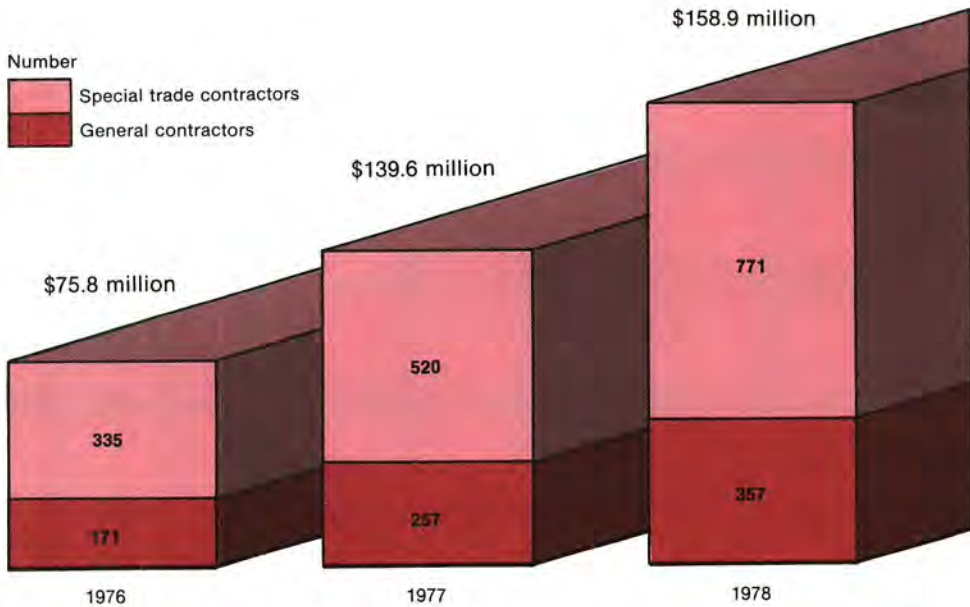


### Bankruptcies and insolvencies in the construction industry and estimated total liabilities, 1976-78



The bank must make public at all times the minimum rate at which it is prepared to make loans or advances; this rate is known as the bank rate. From November 1, 1956 until June 24, 1962, the bank rate was established weekly at a fixed margin of one-quarter of 1.0% above the latest weekly average tender rate for 91-day treasury bills. Bank rates since June 24, 1962 have been fixed from time to time; rates from April 7, 1967 are given in Table 21.1. The rate at October 25, 1979 was 14.0% per annum.

On May 12, 1974 the Bank of Canada announced a change in practice concerning the maximum rate at which it would enter into purchase and resale agreements with money market dealers. The practice had been to set a purchase and resale agreement rate at one-quarter of 1.0% above the average 91-day treasury bill rate at the latest weekly tender, subject to a minimum of bank rate minus three-quarters of 1.0% and a maximum at the level of bank rate. Under the new practice the maximum rate is bank rate plus one-half of 1.0%.

Assets and liabilities of the Bank of Canada at December 31, 1976-78 are shown in Table 21.2. The bank is not required to maintain gold or foreign exchange reserves against its liabilities.

Although the Bank of Canada operates with a large measure of independence, this does not mean that the government can be relieved of the ultimate responsibility for the general thrust of monetary policy. Provisions in the Bank of Canada Act of 1967 were designed to clarify this matter. They provide for regular consultation between the governor of the Bank of Canada and the finance minister as well as for a formal procedure whereby, in the event of a disagreement between the government and the central bank which cannot be resolved, the government may, after consultation has taken place, issue a directive to the Bank of Canada as to the monetary policy that it is to follow. Any such directive must be in writing, must be in specific terms, and must be