

being set up to do certain things which private enterprise has not done in the past and which, in my opinion, it can scarcely be expected to do. I do not think what I have said indicates that criticism should be made of the chartered banks for failing to make this type of loan, or of the investment dealer or other institutions. The type of loan intended here is a type which private institutions, as we have set them up in this country under the laws of this parliament for the most part, are not equipped to do and probably should not do. The new institution here is intended to supplement the kind of thing which private enterprise has been doing in the past.

In the second place I would point out that the chances of profit in the operation of an institution like this are, I think, very modest, and the risks are probably considerable. I believe there are not great chances of profit, or profit wholly commensurate with the risks that may have to be taken. The profit possibilities in relation to the risks are not, I think, such as to attract private capital to this kind of business. Therefore, it seems to me appropriate that the type of institution you set up to perform this function should be essentially a non-profit making institution which goes out to render a service that is needed rather than to make profits primarily.

*By Mr. Graham:*

Q. Is there a greater possibility there will be losses?—A. I think that will depend on the competence and good judgment shown by the management. Undoubtedly there will be some losses made. Perhaps Mr. Towers could speak far more effectively on this than I can. There will undoubtedly be mistakes made even by the most competent and most efficient of managerial set-ups which you could provide for an institution like this. There are losses in all kinds of lending and the fellow who does not make any losses is probably the fellow who does not make any loans at all. You can turn down all loans and you will save yourself from making losses. However, what we are thinking of here is an institution which will make loans, or give guarantees, where there is a fair and reasonable chance that the industry will succeed, that it is making a product for which there is a demand, that there is sound and relatively efficient management. If we get a reasonably efficient management what I would expect is that there would be a modest or relatively moderate profit rather than large profits.

*By Hon. Mr. Hanson:*

Q. That is just a pious hope, is it not?—A. You may say it is a hope. To me it is a belief. I have confidence in that appraisal. Perhaps we might look at it five or ten years hence and see whose guess is right.

*By Mr. Tucker:*

Q. It depends on the administration?—A. It depends wholly on the administration.

Q. The banks are intended to help new businesses but will only help new businesses with assets to pledge for the loan that you get. If you are going to help new business you are bound to have losses.—A. That is what I say. Under this heading our success in maintaining a high national income and high employment after the war will depend to an important extent on government policies both in the domestic and in the international field. The success or failure of the kind of marginal or residual industrial enterprise with which this bank is likely to be concerned will therefore depend to a very substantial extent on the success or outcome of the government policies. For that reason it is believed that a government agency is in a better position to operate in the field than any private institution, because it is in a far better position to estimate or appraise the outcome of those policies.