

*Tight Money Policy*

restrictions brought about unfortunate results in every area.

It will be recalled, for instance, that due to credit restrictions in force at the time, the construction of the St. Lawrence development, more particularly at Beauharnois, for the production of electric power, was halted for lack of credit.

It will also be recalled that, at the time, pulp and paper companies had to lay off several workers and close their plants for lack of credit.

In the Saguenay-Lake St. John district, the Price Brothers Company, or at least members of the Price family had to let their shares go because the banks had cut their credit. Such pulp and paper companies were forced to sell and the bank directors succeeded in grabbing them because the banks were in control of credit and private companies were deprived of credit and could thus be bought for peanuts.

• (4:20 p.m.)

The same thing happened in the field of electricity, paper and even coal. As a matter of fact, it must be remembered that in 1934, when those credit restrictions were imposed, Senator Webster succeeded in taking over the coal trust in Canada.

In the field of electricity, the Holts and Gordons succeeded by restricting credit to private companies in getting control over the latter; as bank directors they had unlimited credit and succeeded in getting control over most of the big companies which existed then.

Today, in 1966, there is a lot of talk about credit restrictions, inside as well as outside the house.

Mr. Speaker, first of all I would like to make a distinction between credit for public purposes and credit for particular or private purposes.

Credit for public purposes is credit issued to help public works or public administration. It is put at the disposal of the federal or provincial governments, municipalities or school boards. Such credit is for public purposes. It can be used to make good the deficits of public administrations. Then, it is still credit issued for public purposes. It can be issued for works by various governments. For instance, in the case of the federal government, it can be used for the dredging of a river or a waterway. A provincial government can use it for the building of bridges and roads. It can also be used for the construction

[Mr. Grégoire.]

of post offices; then such credit is issued for public purposes.

In the case of a municipality, it can be issued for the building of sewer systems, streets, water systems. Again, such credit is issued for public purposes.

In the case of school boards, it can be spent to build schools; again, such credit is issued for public purposes.

If, as I was saying a little earlier, the federal government, a provincial government, a municipality or a school board shows a deficit at the end of the year and must borrow to make it good, there will be credit issued for a public purpose. That is what is called credit for public purposes.

We will see later the situation with regard to credit issued for private or particular purposes. At the outset, I would like to talk about credit issued for public purposes. First, and it is the first principle which I would like to mention today, it is that all credit issued for public purposes should be free of debt and interest-free, because it is meant to serve the public interest, the general interest.

It must not be issued in the form of debt but debt-free. Why? Because of the source of the credit so issued. If it is a public source, lending to public bodies, then no interest should be charged because its purpose is not profit but the interest and the welfare of the country. Therefore, there is no reason why loans from this source should bear interest or entail a debt.

However, if this public credit comes from private sources, public interests or private companies, then this does not make sense because it is not incumbent on private enterprise to finance public enterprise. It does not behove individuals to finance the government; it is not incumbent on private companies to finance a public concern such as the federal government, a provincial government, a municipality or a school board.

This is why credit must originate from a public source, that is a government body, and that government body now exists: it is the Bank of Canada. Today this government body, this public body, in short, this public source of credit exists not to make gains but to help other public bodies in Canada. That is why the Bank of Canada should finance, without interest, all public credit issued for public purposes, for public undertakings. Then, such credit originating from a public source, the Bank of Canada, being issued interest and debt free, must be used for