

made comparisons with our system here, which is still a mystery. It became a mystery when we first brought in the fractured reserve system according to which the bank lends you a certain amount of money and then is allowed to lend a certain amount of "blue sky", in other words they lend you more money than they have in deposit. However, I do not want to go into the technicalities because that would be too difficult for some of the members of the NDP to understand. What we wanted to do was to build in some competition to match what was going on in the marketplace throughout the country. We have 13 chartered banks in this country. In the United States there are 1,300 chartered banks, all of them competing with each other. If there is a personality conflict between you and your banker, if he does not like your type of proposal or if you cannot convince him of the potential success of the prototype or of the plant where your particular mousetrap would be manufactured, you just go to another bank and sell your idea to them. Eventually you convince someone of the possible success of your idea and you get the money. Indeed, there were several occasions in my business career, one which I remember in particular, which have made me say to this day that the banks become involved in politics. There was a time when the 13 chartered banks in this country simply did not make any loans to small lumber companies because they did not like the government in power. So if you were in British Columbia at that time and you wanted to expand your business, as we did then, you had to go to the United States and get your money there. Lo and behold, there was all kinds of money available because we had all kinds of assets. As for our banks, it did not matter how much you had in assets, how much you had in inventory, how much protection there was under section 88. They said that lumber and wood converting industries did not have a very bright future under that particular government, so they would not make any loans to them. I do not know whether this had anything to do with the fact that there are certain people in the larger companies integrated with the multinational companies, who sit on the boards of directors of the banks, but certainly there is room for all kinds of suspicion. If you really want to get started in a small new business, you have to go to a foreign country to promote your idea. That is a very sorry state of affairs.

The government is well aware that our banks are not interested in small business, not interested in venture capital. From time to time we have found it necessary to intervene as a government, knowing how important small business is as a sector of the economy, to put in place some measures, to create some institutions which will help the small business sector. An example of that is the Farm Credit Corporation. Why should we need a Farm Credit Corporation in this country? If banks did the business which they were set up to do, that is to make loans to businessmen—and, after all, a farmer is a businessman—what reason would there be for the government to be in the business of lending money to farmers? The reason, as I have stated, is that banks are in no way interested in helping out anyone who wants to start a business, regardless of the security they offer. We must remember the farmer who has

worked many years clearing his land and developing a farming enterprise. He has worked for many years and has never made any money. His only reward would be if he sold the enterprise, the farm and the land to his son. Then he could retire and live his declining years in comfort and security. The Farm Credit Corporation started out with good intentions, but it is in no way more equipped to respond to those particular needs. Officials of the corporation will say, "If you want to buy the farm from your father, he should underwrite the loan or perhaps make you a loan". A lot of Canadians are fed up with living in the breeding grounds of human misery in the concrete jungles of our large cities. They want to go out to the country to start farming enterprises. It would probably take at least \$250,000 to build a viable farming operation today. At least it would take \$250,000 to buy the land and clear it or to buy an established farm. We all know they would not get very much for less than \$250,000.

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But there are still some people out there who are—should I say—almost crazy enough to think that farm life is worth fighting for. So, they start working in sawmills or on construction. They take their earnings and put them in their farms; they clear a little more land. When they reach the point at which their farms are almost viable, they go to the Farm Credit Corporation to borrow a little money to get them over the hump, to buy that first piece of machinery. They realize it is no use going to the banks. I have established that fact. But, the Farm Credit Corporation says, "If you have not made the major part of your income on the farm, you are not entitled to a loan". Incidentally, they are not entitled to loans if they are in any way involved in provincial or federal politics. They cannot obtain loans from the federal government because there would be a conflict of interest.

The Farm Credit Corporation was established over the years to keep banks honest. Another example is the Federal Business Development Bank, a perfect example of how the government, from time to time, intervenes and hopes to help small businessmen or people in regions where banks are not as well represented as they are in larger centres. As we all know, the Federal Business Development Bank likes to be known as the bank of last resort. Indeed it is, because its interest rates are usually 2 per cent or 3 per cent higher. The government wants to be very careful not to enter into competition with the chartered banks. After all, the chartered banks have a monopoly and they do not want anybody to meddle with that, including the federal and provincial governments. So, the person interested in obtaining a loan must bring to the manager of the Federal Business Development Bank a letter indicating that the chartered bank will not lend him any money. Without that letter he cannot obtain a loan from the Federal Business Development Bank. The bank manager is not required to say why he will not lend him the money, but of course we know why. Then the FBDB will take a look at the person. It will charge an interest rate which is 2.5 per cent to 3 per cent higher. It will take a chance on him and will be lenient if he gets behind in his payments.