repercussions. In addition, the shortage of capital available for investment in these long term contracts will continue to grow increasingly in Canada, and even in all western countries.

The minister said in the course of his speech that, according to the government, the extra revenue thus gained would counterbalance the obvious disadvantages of such taxes. We sincerely hope that the government will give serious consideration to all these points when it makes a final decision on the bulk of the proposed taxes.

Insurance, Mr. Speaker, is one of the most popular saving devices in Canada. It is an incentive towards saving; it helps to curb inflation, this nightmare of the government; lastly, it is a huge source of that capital so much needed now by Canada to control its economy and also an important source of mortgage money that will help solve the housing problem.

The government, therefore, does not seem very consequent when it is asking us to take steps in order to control inflation while proposing a legislation meant to penalize the thrifty.

The government also does not seem consequent when it complains about the scarcity of capital available for house building while punishing whose who build up a fund available to those who want to build themselves a home.

What were the portfolio assets of the insurance companies at the end of 1966, according to the reports provided by the Superintendent of Insurances?

The life insurance companies in Canada had $5,485 million in mortgage loans in 1968; $5,929 million in bonds and debentures of all kinds $523 million in ordinary shares, of which only $94 million were in non-Canadian companies $450 million in policy loans and finally $423 million in real estate with only $56 million in cash.

The life insurance companies invest in Canada. They make mortgage loans and invest in Canadian industries they are ever ready to finance government programs.

As far as the province of Quebec is concerned, for example, life insurance companies have invested, according to a statement made in Montreal on June 17, 1968, by the president of the Canadian association of life insurance companies, Mr. Lemmon, over $4,863 million, that is 1.6 times their commitments towards their policy holders.

Out of this total, $1,698 million were in mortgage loans, $1,526 million in government and municipal bonds $1,477 million in corporation stock and $162 million in other investments.

• (4:10 p.m.)

Life insurance companies invest more in Canada and in Quebec than their total commitments because they also invest funds coming to them from policy holders living in the United States. In 1966, for the whole of Canada, life insurance companies had invested $5 billion on behalf of their policyholders residing in the United States. Therefore it can be said that life insurance companies contribute to the growth of Canada and that they help in remarkable way in its development.

Here are the comments made by Mr. Graham F. Towers, former governor of the Bank of Canada, at the annual meeting of the shareholders of the Canada Life Insurance Company, on January 30 last. We know that Mr. Towers, chairman of the board of the life insurance company, was the first governor of the Bank of Canada, president of the Industrial Development Bank and assistant governor of the International Monetary Fund. I quote:

In October last, the federal government introduced a special budget which showed that the 1969 fiscal deficit will be much greater than anticipated. In order to avoid this deficit and to balance the 1970 budget the federal government suggested that it intended to levy new taxes including a tax on life insurance which would bring the government $95 million.

As we know fully well the tremendous advantages which accrue to the individual and the economy through life insurance savings, one can ask whether the government is right in levying this tax at a time when the bond and mortgage markets are experiencing a shortage of capital.

With the passing of this bill, at least $95 million this year, and perhaps more in the following years, will contribute to the payment of government expenditures while this amount would have probably been invested in the capital market.

There are other kinds of taxes which tend to diminish savings and, consequently, supplies of capital, but none, I think, have such direct and heavy consequences as in life insurance. Those taxes can only help to worsen the situation in a country suffering from a lack of capital.

The president of Mutual Life, M. K. R. McGregor, said on February 6, 1969:

A good number of recommendations could be examined to promote savings, curb inflation and supply capital. The interest on the new federal, provincial and municipal bonds could be made tax free. Just as the government grants a tax exemption on the dividends of mining and oil corporations to compensate for the gradual depletion of operating resources, so it should recognize that there is an element of depletion in high interest during a period of inflation.

[Mr. Beaudoin.]