

*Loans Acts Amendments*

supply, the money supply must be allocated. Thus those areas in our economy which would die if the money supply were cut off in the traditional Liberal sense would at least have enough life blood to carry on, to grow and build. It is small business, small farmers and fishermen, the businesses run by little people, that make a free Canada possible. A free Canada is only possible if each of us individually has the ability to make it on our own. We can only do this if cash is available to us from a bank.

As far as the Small Businesses Loans Act is concerned, the legislation has unfortunately been a total failure since it was passed. There were only 2,800 loans made under the act in 1972, simply because its provisions are not advertised. What happens, Mr. Speaker, when a guy goes into a bank and asks for one of these loans? The banker says to him, "Where is your wife's signature, where is your life insurance?" If a man wants a government guaranteed loan he is shown the door and told he does not qualify for one. If a man asks for a government guaranteed loan he winds up outside the door of the bank.

In my constituency of Mississauga I know only one person who has ever received a small businessman's loan, and there are swarms of small businessmen in my community. The reason they do not get these loans is simply that the banking system is not forced to give them a loan under the act. The banking system tells them that if they have not got good enough credit for an ordinary commercial loan or for a consumer loan at 12, 13 or 15 per cent, then they have not got good enough credit for a small business loan. There is no requirement upon the banking system to allocate a portion of the amount available for loans to small business.

● (2010)

The only people who obtain small business loans guaranteed to some extent by the government are those who have pull, who have drag, or who have the knowledge to tell a banker he had better give it to them or they will call their member of parliament. If a person has to say to his banker that he will call his member of parliament he might or might not obtain the loan. The probability is that the banker will find something wrong with this person's credit because, under the terms of the act, it is only those persons ordinarily commercially qualified who may obtain a loan in the first place.

A bank may take the position that because the government guarantees only 90 per cent of the loan it must pick up the balance of 10 per cent—that if the bank stands to lose one penny on a dollar loan it will refuse to loan the money. Banks can think of a thousand reasons for not making loans at 8¼ per cent, 9 per cent or 10 per cent, when they themselves can get 14 per cent and 15 per cent.

So, what happens? Nothing happens. The problem with this legislation is that there is no requirement on the banking system to lend any money. Each chartered bank could sit back and take the position that it will not lend money under the Small Businesses Loans Act with only 90 per cent guaranteed by the government. There is no allocation provision in this legislation. There is no provision which requires any chartered bank to lend any amount of money whatsoever to the small businessman, the fisherman or the farmer.

However, banks do make some cosmetic loans. The Canadian Bank of Commerce in 1972 made less than 600 loans. This is the second largest bank in the country. It will undertake some cosmetic loans, but the gross amount in 1972 in respect of small business amounted to only \$28 million, while the total amount of money involved in bank loans was over \$40 billion. When we talk about an amount of \$28 million in that context it is obvious that it is only cosmetic loans that are involved.

This is a cosmetic act. It is cosmetic because the government intends to go on the election platform in 1974 saying what great value this is to the small businessman, the fisherman and the farmer. The truth of the matter is that the government does not give a damn about the fisherman, the farmer or the small businessman, because it is unprepared to demand that the banking system in fact lend a reasonable amount of funds to the man who is trying to succeed on his own.

This attitude on the part of the government should be explained by the Minister of Finance (Mr. Turner), but we do not receive such an explanation. When the small businessman goes to the bank he must pledge his wife, his life insurance policies, his children, his house and the family silverware in order to obtain a loan. He will obtain a loan only if he qualifies, and it really does not matter whether or not this act exists because he either accepts the loan on the bank's terms or does not obtain a loan at all.

If we are to control inflation in this country we must control the amount of credit available. We must control the expansion of our money supply, and in controlling that expansion of the money supply we can do two things. We can either accept the axe-blade approach of this and past Liberal governments, which is to tighten up the money supply and say "The devil take the hindmost", or we could have a selective allocation of money in certain areas of the economy to make the economy grow and work. We can either have the axe-blade approach, which sees that the speculator receives all he can and, as a result, the small businessman is out on the street, or we can have a government concerned about the development of the economy, a government that is prepared to see that the small businessman receives his share and that the speculator gets cut off.

This is the difference between the attitude of this party and that of the government opposite. The government does not want to worry about selective controls, or about the fine art of tuning the economy to make sure that credit supply is available to those who have a more rightful call upon it. The government seems to take the position that those who can afford to pay for the money will receive it, that the speculator will get all he wants in commodities, real estate or whatever, but the man who is trying to build a small business will be cut off because the Minister of Finance says that unless the interest rate is high enough the banks will not lend to the small man.

Well, how high does the interest rate really have to be? Does it have to be 10 per cent or 12 per cent? Do we in this nation always have to be controlled by the New York rates? Do we in Canada always have to determine our interest rates having regard to the foreign exchange control rates? Do we have to worry about the fact that General Motors can borrow its money in the Canadian money