Cost of Living

Trinity, (Mr. Hellyer)—he is perhaps as comfortable in the Conservative party as in the Liberal cabinet—the NHA lending rate which had been fixed at 6½ per cent was released and permitted to be established by market forces. Again in 1969, and again on the advice of the hon. member for Trinity, the roll-over principle was added to mortgage financing. This enabled a renegotiation of the interest rate on a mortgage every five years. At that time he said that if interest rates went down people would be able to get a lower interest rate on their mortgage after five years. Of course, interest rates have have never gone down but have gone up constantly. Finally, in the spring of this year, Bill C-135 was introduced as a new and exciting measure intended to bring millions of dollars into the mortgage market! Once again, in the words of the present minister in charge of housing, the basic principle involved in the bill was "enhancing the attractiveness of mortgage investment". What that means, of course, is to provide more profits to induce more capital.

What has this series of four steps over the past six or seven years of the Liberal government, incidentally supported by the Conservative party, led to? First of all, the most important and negative effect of these profit-oriented initiatives was to destroy the moderate and low-income housing market in Canada. By generating a significant increase in mortgage funds at unrestricted rates of interest, builders and land speculators in Canada were encouraged to concentrate on high-priced housing where profit margins are greater as everyone knows. This meant that during the Trudeau years, 1968, to 1973, moderately priced housing almost disappeared from the private market. So far in this year, the national average price for housing has gone up by a further 18 per cent. The sole beneficiaries of this kind of policy are the wealthy, either as consumers of expensive housing or as controllers of the building industry.

Like previous tinkering with the mortgage market the minister's new bill, which we have been told will be brought back to the House next week, will be great for investors but will not be helpful to the average Canadian. The minister expressly stated that his proposal entailed no direct market intervention by the government either to stabilize the price of mortgage funds or to ensure an adequate supply. In other words, the government will not ensure that mortgages will be available to those who need them at rates they can afford. Conservatives, I might add, support that bill completely. Under the government's proposal, housing investment would be permitted to seek its maximum profit level without any consideration of social need. From the point of view of investment, housing will remain essentially a commodity like soap, beer or deodorant. If it pays, money will come in and the consumer will be charged what the traffic will bear.

It is no wonder that the financial community in Toronto and elsewhere expresses support for the legislation and urges members to give it speedy passage. It is no wonder also that the Conservative party has added its support. The simple fact is that the market method of dealing with mortgages has not worked. As I said a minute ago, with the interest rate announced yesterday by the Bank of Canada I predict that we will have an NHA mortgage rate of 11 per cent within a month. What this policy has meant is not more housing for the average Canadian but rather the highest profits for the banks and financial institutions in the history of Canada. Bank profits between 1967 and 1971 increased—at an annual average rate of 19 per cent. Between 1971 and 1972 bank profits increased by 20.4 per cent. The Toronto-Dominion Bank, the Bank of Montreal and Royal Bank showed mid-summer increases of 50 per cent, 46 per cent and 37 per cent respectively.

During the period betwen 1966 and 1971, the profits of the banks in Canada increased by 85.3 per cent compared to other sectors of the economy, such as industry, where profits increased by 14.3 per cent, manufacturing where profits increased by 11 per cent and mining where profits increased by 10.2 per cent. Because I wish to make a specific proposal, I shall omit further documentation of the fantastic rip-off that has been accomplished by our financial institutions. I say with all seriousness to the Minister of Finance and to the Conservative Party of Canada that far from leading to the production of more houses which the average person in Canada could buy, the whole reliance on the profit incentive, the whole basic decision to leave mortgages within the market system has simply led to the highest profits in the history of this country for our financial institutions.

I wish to make a specific proposal now. It should be clear, if the government wishes to act in order to provide housing, that it could take the following four steps and in that way do something in the days ahead to provide the necessary housing for those who need it. First, the federal government should establish a central mortgage fund section within a newly constituted ministry of housing and urban affairs. This section would direct banks and other federally-chartered financial institutions to allocate a substantial portion of their annual investment to residential mortgages at a rate not exceeding 6 per cent. Second, the mortgage allocation requirement for each lending institution would be related to the level of its own annual investment, to its liquidity needs, and to the national housing needs for a given period. Third, the regional and income distribution of mortgage funds would be determined by the minister responsible for housing. All Canadians would be eligible for the 6 per cent mortgages but priority in allocation would go to those of average and below average family income. Fourth, if the approved lenders, such as the banks and trust companies, do not allocate their housing mortgage quotas, they will be required to transfer the unfulfilled portion of the 6 per cent interest rate to the central mortgage fund which will lend the funds directly to implement the established housing priorities.

If this four-point program were implemented by this government or by any other government it would save the average family about $1,000 a year in mortgage payments alone. This approach must be considered along with other steps which must be taken in respect of housing, but if implemented it would begin to establish housing policy on the basis of social need and social priority on a parallel with medicine, which we have taken out of the market, and on a parallel with schools which we took out of the market sometime ago. I say that this kind of action is long overdue. The present policy of the government, which refuses to extricate mortgage money from other interest rate considerations, will serve only to perpetuate profits by our banks and will not provide homes for people who