

*The Address—Mr. Tucker*

Canada, indicating the attitude of the banks in that regard. Discussing commercial loans and credits, he says:

We hear from time to time the criticism that banks are investing too large a portion of their funds in government bonds and too little in assisting business enterprises. Thinking people will realize at once that such a charge is illogical and unjustified. Our primary business is commercial banking, but as has been pointed out on numerous occasions, we cannot compel unwilling borrowers to use our surplus funds if, because of lack of confidence or for other reasons, they are not prepared to expand their business; and prudent bankers must of necessity guard against taking unwarranted risks. Consequently, the only way in which surplus funds can be put to work is to invest them in government bonds, and in order that these funds may be made available for commercial purposes if the demand arises, only short-date securities are purchased.

It may interest you to know that this bank's portfolio of dominion government securities only nets approximately two per cent per annum and this fact should in itself be an effective answer to the charge that we accumulate these securities from choice rather than increase commercial loans. It would be a strange type of banker who would prefer this small return to the more remunerative commercial rate.

The interest return on government securities is low, largely because of the "easy" credit policy of the Bank of Canada and the resultant surplus of funds seeking profitable employment.

Many people become confused in their minds regarding the term "credit" and the statement has been loosely made that the right of issuing credit has been passed on by the government to the banks. This is untrue. Control of credit is one of the prerogatives of the Bank of Canada. They alone can decide whether a policy of "easy" or "tight" money is to be pursued. Their facility for doing this is to purchase securities if they wish the banks to be supplied with additional funds, or to sell securities if they wish cash in the hands of the banks reduced. As far as the chartered banks are concerned, their supply of funds is regulated and they have available such surpluses as the Bank of Canada wishes them to have. Most people, when talking or thinking of the term "credit" look upon it in terms of the amount they individually can borrow from a bank, but in the broader sense—as applied to the country as a whole—whether credit is "easy" or otherwise is a matter within the control of the Bank of Canada. This volume of credit they regulate according to the needs and requirements of the country as a whole.

What I wish to emphasize is that, as the general manager of this bank points out, although the policy of this administration has been an easy money policy, the banks declare that fundamentally because of their reluctance to take chances they have been unwilling to make loans to business enterprises and have been investing in government bonds and securities. In other words, the last word is with the chartered banks.

[Mr. Tucker.]

Now then, what are we faced with as a Liberal party? The whole situation comes down to this: We have ample man power; we have skilled engineers who could give leadership in taking charge of the industrial enterprise of the country, the opening up of mines and so on; we have the natural resources; and, on the admission of the banks and according to the figures that I have put before the house, we have ample credit. But the banks, for what appear to them to be good reasons, do not choose to put that credit in the hands of business enterprise. What is to be done?

In the short time still at my disposal I intend to lay before the house a suggestion which I believe would be at once fair to the banks and a means of solving the problem. But before I offer that suggestion I should like to say a word to those who take the attitude that there is nothing in any such ideas as these that are being put forward. To such people I say: Have you any idea which will solve the problems that face this country, and solve those problems adequately? If you have not, then I suggest that you should get busy—every member of this house should get busy—and try to figure out something that will. I do not suggest that the idea I submit is the only one or that it is necessarily the best. I offer it simply in the hope that it will give rise to some comment, and that if there is some virtue in it, some effect may be given to it. At any rate it will lead to a study of the great difficulty to-day, namely, the fear of capital of investing in enterprise for the purpose of putting our people to work and developing our natural resources.

It was my privilege last summer to spend four days flying over the northern part of Saskatchewan. I visited Goldfields where the Consolidated Mining and Smelting Company operates. That company, before taking one cent out of the ground by way of profits, will probably spend ten millions by way of developmental work. You cannot put labour to work on mineral resources in our north country to any great extent unless you have great resources of capital behind you; but there are not many large companies who are able to go to the banks with the necessary security in order to get such large supplies of credit with which to develop our natural resources. You have, therefore, the suggestion that credit should be sought abroad. I say, however, that if these enterprises are worth developing at all; if they would justify our seeking credit from abroad, then we have the right to say to the banks: "You must make available the necessary capital to develop the resources of this country." Someone