members not think there is a conflict of interest there as these people encourage more and more people to borrow more and more to buy the products which they, in their own private companies, manufacture? I ask hon. members whether they do not see some room for a conflict of interest in that situation?

Quite obviously if the director involved is in a company manufacturing durable goods and is then faced with a decision of sitting down and establishing consumer borrowing for the bank, he is going to encourage a more open and freer consumer borrowing policy in order that he can sell more of his goods. Therefore we will have to look at how directorships are set up in banks because that conflict carries right through the system. It carries right through in the decisions as to whether or not money will be loaned to major developers in order to develop, and where that development takes place. It carries right through in terms of whether they want to encourage development to take place where their competition might get the inside track or the upper hand. It carries right through in terms of whether they themselves want to see expansion take place in one part of the country over the other, or whether their primary company, the one from which they come to sit on the board of directors, will make decisions in the best interest of the economy as a whole, given that their own private company may suffer some detrimental effect as a result of policy established at the bank level.

There is something wrong with the relationship between the way we establish directorships in banks, and the tie-in of those directorships with the private operations they conduct on a day to day basis. I want to suggest, as we go into committee, that we take a serious look at severely restricting who can sit on boards of directors of banks. It is about time that we understood just how boards can in fact manipulate the policy to the advantage of the companies represented on the boards. If hon. members do not believe this, I would suggest they sit down over the weekend and give it some thought.

In addition to that, I think we have to try to get the banks to understand where their primary obligation is. As they would tell you, it is to their own shareholders. This is wrong in a private system like this where that becomes the area to which the directors and the banks must answer. It is not merely enough to do that because the bank and the banking institutions together probably control most, if not all, of the opportunities for development; or most if not all of the opportunities for growth; most if not all of the opportunities for balance in terms of the economy of the country. Therefore we must try to write into this legislation the terms and conditions under which the banks will act in the best interests of the country as a whole; what kind of social and economic responsibility they have; what kind of social responsibility to parliament and to the direction set by parliament, and also what kind of social responsibility they have to the communities all across this country.

With respect to mortgage rates, the banks could quite easily, with the direction of the central bank, have had a major influence in bringing mortgage rates to a level that people could afford. We said in January that the interest rates could have been dropped 2 per cent right there on the spot. People now in the government and some in the Conservative party thought it ridiculous at the time. I remember statements such as "it could not happen, it would be outrageous, it would destroy the system." But it has happened. Had it happened in January untold numbers of people would not have faced the kind of hardship that they have faced in the intervening months. The interest rate could drop by another 2 per cent right now without detrimentally affecting the economy of the banks. It could be done tomorrow morning with a direction. It is time it was done. It is time that we understood that the welfare of people and their families is as important, if not more important, than the unusually high profit margins being enjoyed by the banks.

When I was speaking in the House the other night I mentioned that I was in the bank cashing my cheque and I was talking to a friend of mine who owns a business. On that day I told hon. members he had told me that he was becoming desperate because he did not know how he was going to finance his business over the next month or two. He said that, as he carried his inventory, the carrying cost of the inventory has reached a point of almost 20 per cent. That is 20 per cent in addition to the value of the inventory.

He put it to me that it made it almost impossible for him to compete with the larger operations. He did not understand why it was that the government, a government that pays lip service to small business, could not find a way to establish some reasonable interest rates that he could use for short-term borrowing, in order to maintain the inventory he must carry to serve the public, to create and maintain the jobs that he had.

Mr. Corbett: What about the small business development bond which you defeated?

Mr. Deans: The small business development bond which we defeated? Unfortunately, it would not have been of help in this instance.

● (2120)

What he asked me was why is it, since it is generally recognized that small business employs by far the vast majority of people, that the government does not seem to be able to direct, either through the institutions or directly, the interest rates in order that he, and many like him, can take advantage of it in order to maintain their business?

This is when we were talking about giving Chrysler $700 million. He said, "I do not understand. How can the government find $700 million to give to a company that is damn near on the verge of bankruptcy and cannot find $20,000 to loan a guy in a little business that employs five people and maintains an operation in this community?"

I met another man the other day. He came to see me last weekend when I was home in my constituency office. He had the same kind of problem. All he needed was $4,000. That is all he needed. He had inventory valued at $44,000. This man had a loan from the Federal Business Development Bank of $8,600 and an overdraft of about $5,000. He needed this