

The Budget—Mr. R. A. Bell

Mr. Coyne, the hon. member for Essex East certainly is doubly depreciated today.

Mr. Martin (Essex East): The debate is just beginning.

Mr. Benidickson: Six days to go.

Mr. Bell (Carleton): What the budget seeks to do through the incurring of a substantial deficit, through direct and indirect influence on interest rates, through the achievement of a closer balance of international payments, through the reduction of our exchange rate thereby increasing exports and reducing imports, is to provide very genuine economic incentives of a powerful and, indeed, of a massive character. It is designed to increase our productive capacity, to increase opportunities for employment and to raise the levels of Canadian savings and investment.

As a genuinely Canadian budget, this budget is wholly consistent with and, as I have said, a logical and orderly progression from earlier budgets. I want to emphasize that in pursuing the objectives of Canadian expansion the government, in the field of commercial policy, has never lost sight of our dependence upon our external trade and its policies have been moderate and responsible.

The extension of the activities of the industrial development bank is a most important feature of the budget. One must couple these proposals with the Small Businesses Loans Act enacted earlier this session and with the expansion of the Farm Improvement Loans Act and other measures which have been taken by the government. Hereafter, all business enterprises in Canada will be eligible for industrial development bank loans. My hope and expectation are that this will lead to greater employment, to a broadening of the base of our secondary industry and to the achievement of a more flexible economy generally.

While assuredly not wishing to see the industrial development bank intrude into the field of other lending institutions, my hope would be that under the new legislation, the new president of the bank and its directors and officers would pursue, in the medium and long term fields, more expansive policies than have been pursued in the past. From many hon. members on both sides of the house I have received complaints about the attitude of the bank under its president, Mr. Coyne, and its alleged rigidity and inflexibility. I say simply that the policy of the industrial development bank in my view ought to be service with courtesy. I shall personally be very greatly disappointed if under the new legislation and with a new president this goal is not achieved.

Vital as these matters which I have mentioned dealing with the industrial development bank may be, they do not in my view equal in significance the proposals of the budget with respect to interest rates. I see no particular point in engaging in exchanges, such as the hon. member for Kenora-Rainy River suggested about such matters as tight money, or any recriminations in relation to the past. But there is no doubt that in 1956 and 1957 a relative scarcity of credit had as its consequence very high interest rates. The restrictive policies of the Bank of Canada under Mr. Coyne's leadership, and to the intense annoyance of the then minister of finance, Mr. Harris, and the equally intense annoyance of the hon. member for Kenora-Rainy River, his parliamentary assistant, forced interest rates higher.

The advent of this government resulted in an easing of credit and until the late summer of 1959 interest rates were at a reasonable level in this country. In that summer an almost unparalleled demand for credit, one in which demand well outran supply, put tremendous pressure on the interest structure. So great was the pressure that at one stage the Minister of Finance (Mr. Fleming) had to reject tenders for treasury bills. Let no one believe that was an easy decision. It was a crucial decision fraught with grave risks, but it was the right one and proved to be the turning point.

Already the Minister of Finance has achieved some success in his discussions with the financial community. The reduction of one quarter of 1 per cent in the prime chartered bank rate is evidence of that fact. With the changed atmosphere because of the impending departure of Mr. Coyne, I am satisfied that the further consultations announced in the budget will lead ultimately to a readjustment in our interest structure, thereby giving a tremendous and immediate incentive to business expansion and employment as well as placing a drag upon capital inflow for non-productive purposes. In his last report the governor of the Bank of Canada in effect rejected out of hand any responsibility of the Bank of Canada for interest rates. That view, sir, I repudiate. The Bank of Canada has a vital role to play, in my submission, in easing or restricting credit and the price of credit. In my view unwise policies of a restrictive nature pursued by the present governor have had a deleterious effect on expansion and thereby on employment in Canada.

All of this emphasizes to me the vital necessity, the absolute essentiality of the integration and co-ordination of fiscal, financial, monetary and commercial policies. The achievement of the objectives of this budget