

hope that hon. members will keep in mind that in due course the government will be proposing other measures designed to provide financial assistance in other fields of activity such as agriculture and housing.

If we are to maintain employment and income after the war we must envisage a high level of industrial activity in Canada, employing many of those now engaged in war work or in the armed services. That objective will require considerable industrial development. There are war factories now turning out material for the destruction of the enemy to be converted to peacetime uses. There are existing plants producing civilian goods to be modernized and expanded to meet the demands which will exist for their products after the war. There are new industrial facilities to be provided to utilize the new products and techniques which have been developed during the war.

This industrial development must be financed. Undoubtedly the cash resources of industry, including refundable taxes, have risen in recent years and will be used to finance part of the expenditures I have just mentioned. But industry's own resources may be far short of the total amount of financing required. It is therefore in the national interest to ensure that such additional financing as may be necessary and desirable will be available to industrial enterprises.

A brief review of existing facilities to provide credit for Canadian industry will, I think, serve to show that in certain respects these facilities do not provide and cannot reasonably be expected to provide all the industrial financing which will be necessary in post-war years.

The chartered banks are one source of credit for industrial enterprises. But since the liabilities of these banks are mostly in the form of deposits withdrawable on demand or short notice, it has always been thought desirable that they should keep their assets in rather liquid form—easily realizable in case of need. The wisdom of following this policy has been amply demonstrated in the past by the experience of other countries which have pursued a different course. For the reason I have just mentioned, the chartered banks for the most part have made short term loans to industry—loans which in the ordinary course of business can be paid off in full at least once a year. Accordingly, they have been most important as a source of working capital for industry rather than as suppliers of long term funds which might only be repaid over a period of several years. This appears to

be a sound policy and the government would not expect the chartered banks to embark on a large-scale programme of medium and long term credit to industry.

Industrial enterprises requiring funds which might not be appropriately provided by banks are at present pretty much dependent on the investment market. In other words they must seek to make a public issue of bonds or stock. The availability of funds from this source is subject to a number of limitations. The name and financial record of the issuer must be such as to attract the investing public. The amount of money required must be sufficient to justify the overhead expense of making any public issue of securities. Finally, the attitude of the public towards securities already on the market must indicate that a new issue would get a favourable reception. Small business is particularly affected by such limitations.

If an industrial enterprise requires financial assistance for more than a year or thereabouts and a public issue of security is not feasible for one or more of the reasons I have mentioned—then there is a good chance as things stand now that it will have considerable difficulty in raising money although the project itself may be basically sound. It is to fill this gap in our financial structure and to ensure that adequate financing is forthcoming for desirable projects that the government proposes to establish the Industrial Development Bank.

As to the bill itself, it is proposed that the bank will be a subsidiary corporation of the Bank of Canada having a board of fifteen directors composed of the members of the board of directors and the assistant deputy governor of the Bank of Canada, with the governor of the Bank of Canada as president. The capital stock of the bank is to be \$25 millions all to be subscribed by the Bank of Canada, with \$10 millions or more to be paid-up at the time this act comes into effect. In addition, the bank will be empowered to borrow up to three times the amount of its paid-up capital stock and reserve fund, by the issue of bonds and debentures, thus providing the bank with total resources of \$100 millions.

I would draw the attention of hon. members to the fact that bonds and debentures issued by the bank will not be guaranteed by the government of Canada. They will, however, be made an eligible investment for the Bank of Canada and in view of the protection afforded by the substantial proportion of capital stock, it is anticipated that they will be marketable elsewhere as well.

The object of this bill being to provide financial resources for industrial enterprises, the bank will be given power to make or