

*Suggested Interest-free Loans*

I can recall during the war meeting a fellow who had not volunteered but had been conscripted into the Canadian army. In those days of great patriotism there was a tendency to look askance at conscripts. I remember asking him why he felt the way he did. He said: "There was a time when I needed a job, when I needed help from my government, but they could not solve the problem of depression or find me a job; they could not help me support my family. Now, when the war breaks out, they suddenly have all kinds of money to get me killed. I do not like that kind of stance, and that is why I have taken the position I have". It was rather an extreme position, and it certainly was not the position I took, but in some ways it was understandable.

To get back to what I said earlier, this man's attitude was a reflection of the grievance that exists in our society against the traditional methods of finance. To some extent, our banks are already subsidizing certain public programs. During the hearings before the Standing Committee on Finance, Trade and Economic Affairs we had the opportunity to raise some questions with the banks' representatives when they appeared. The point was made that about 15 per cent of the banks' fund creating facilities are now established for government purposes. Whether it be for student loans, farm loans, fishermen's loans, small businessmen's loans or NHA mortgages, the banks already set aside 15 per cent of their funds for loans to be made at the direction of the government. They do not always make these loans at low interest rates, but I am sure the interest rates are lower than they would have been had there been no insistence on government direction.

At any rate, the government does ensure that a certain percentage of the available capital in our society is used for what they have set up as social priorities. Some cross-subsidization arises from this sort of arrangement. Quite obviously, if the banks charge a lower interest rate to some groups, this will be reflected in a higher interest rate to other groups. It is quite clear to me that the banks do exactly as they are told in our society; they have not had any choice to do otherwise. When we criticize the banks, our criticism is somewhat misdirected because it should be aimed at the government. Whether it is the Bank of Canada, or the chartered banks of this country, they respond to government policies. I think it has been clearly established in the last number of years that the government

wishes the banks to undertake a certain policy. If they wish the Bank of Canada to undertake a certain policy, no other option is open to this institution. Therefore, my criticism will not be directed against the Bank of Canada or other banks but rather against the government policy which encourages and sustains what is going on today.

At present the banks' profits are the highest in recent history. They make fabulous profits year after year, and the returns for this year indicate that these profits will be maintained at the previous high level. One cannot escape the conclusion that the government wants these high bank profits to exist because if they wished otherwise they could say to the banks: "You will restrain your profits; you will limit the spread between what you pay for money and what you charge for it". If the banks' profits are at the level at which they are now it is because the government of Canada wishes it to be so.

We may ask why it is that at a time when the government of Canada is calling for restraint in other sectors of the economy, particularly among the wage and salary earners, they want to see these high bank profits. I think the government has a number of reasons for wanting this condition to exist. They want the banks to make money for some reasons which are very obvious, to me at least. First of all, they have the policy of keeping interest rates high, and they want them to be high. Second, this prevents the destruction of many of the financial institutions of our society.

• (3:30 p.m.)

Canadian banks are not totally efficient. There are a lot of flaws in their operations. Nevertheless, considering the powers they have under the Bank Act, if they lowered their profits they would be efficient enough to drive virtually every other financial institution out of business. High profits in the banking sector enable their competitors to survive. This is a developing characteristic of our society. It is taking place under the guise of a market system, or a free enterprise system. More and more we see certain institutions supporting lesser institutions rather than developing into monopolies or near-monopolies and therefore becoming subject to the scrutiny of government.

I believe we can do something with the banks to help in the formation of social capital at low interest rates. We have an obligation to establish social priorities, whether