

Bank Act

reflecting a tremendous downturn in the number of mortgage loans approved and the amount of loans approved in the last year. The drop from \$7 billion for the first six months of 1978 to \$4 billion for the first six months of 1980 is without parallel in history. It is a collapse such as we have not seen before.

Faced with this situation it is not surprising that the government is not prepared to contemplate the steps that are necessary. The measures suggested by the Conservative party would do nothing to provide greater competition, would do nothing to increase the size of the mortgage market and would do nothing to lower the rates. But, as I said before, they will do something to protect the privileges of a certain group of financial institutions—institutions which do nothing for the consumer.

There is a temptation for the government to return to home base and the kind of truths stated by the Parliamentary Secretary to the Minister of Finance (Mr. Evans). I call them truths, but I mean the sort of incantations of so-called free market economics which lead him to assume that if we return to that free market and let the banks do whatever they want about mortgages, rates would be lowered, the consumer would be protected, lenders would be protected, borrowers would be protected and we would live in the best of all possible worlds. The hon. member has accused us of being like Alice in Wonderland. The situation he is describing is not the situation which exists in the Canadian marketplace today. It is not what is happening in the mortgage field. There is tremendous uncertainty. The uncertainty is so great that I want to quote from an article in the November 6 edition of the *Toronto Star* headlined "Ottawa told to put legal lid on interest". I quote:

● (1540)

Canada is threatened by a "three-headed monster" of inflation, high interest rates and underutilization of industrial capacity.

Who said this? Was it a revolutionary cabal leader of some socialist organization talking about controlling our financial institutions? No. It was Ronald McKinlay of Toronto, president of the well-known socialist group, the 11,000 member society of Management Accountants of Canada. He went on to say:

Inflation is destroying the ability of people in the middle-income bracket to save for retirement—

He talks about the fact that high interest rates are the main reason for personal bankruptcies and corporate failures. He calls for a re-enactment of a federal interest statute to force the rates down. I quote again:

For more than 100 years, banks in Canada were never allowed to charge more than 7 per cent interest.

If rates were kept down, investors would put their money into capital projects rather than high interest loans. We must encourage investment of Canadian money in Canadian industry and business.

I would include under that heading the need to encourage the investment of Canadian money in the Canadian residential construction business, not only residential construction for middle-income Canadians on the commercial market, but for native Canadians, low-income Canadians, those Canadians who in a sense are outsiders, strangers in their own land.

Under our current system they are unable to be full participants in the economic life of the nation.

People talk about the increase in the value of houses, the fact that inflation in housing has gone up 130 per cent in the past ten years as the hon. member for Vancouver East (Mrs. Mitchell) mentioned today. There were many smiles around this chamber when that figure was mentioned. Many members in this chamber own houses. If you own a home, you are sitting pretty. If you do not own a house, you do not sit pretty. You are in a very difficult situation. In a sense, ownership of a home has become the criterion of full participation in Canadian society. There are far too many people excluded on that basis and even more will be excluded if we adopt the policy put forward by the hon. member for Edmonton West.

The solution is along the lines suggested by Mr. McKinlay. I have known Mr. McKinlay for a number of years. He is certainly not a supporter of the New Democratic Party. We must recognize that we are living in an extraordinary situation, a situation where we now have mortgage rates of 15½ per cent, 16½ per cent, 17½ per cent and 18 per cent. The Minister of Finance (Mr. MacEachen) comes into the House of Commons and tells us he does not know what mortgage interest rates are going to be. In October the government released figures which were supposed to be good for five years. They were not even good for one month. Inflation figures which were supposed to cover the next five years, supposedly predictions of what the rates will be for the next five years, are of no use.

Governor Bouey has told us time and time again that the rate of long-term interest rates is affected by what people's expectations of what inflation is going to be. A month after those figures were published came an indication from Statistics Canada that the current rate of inflation is not the 9.7 per cent predicted a month ago, but 10.9 per cent. All the figures contained in the medium-term economic predictions are meaningless and, in fact, misleading because they fail to indicate what is going on in the economy and how serious the situation is.

If we lived in a world of low interest rates, full employment and an economy going at full capacity, in short, if we were back in a world like the fifties and early sixties before we hit this period of tremendous uncertainty, reduced productivity, higher inflation and higher unemployment, I could understand the optimism of the Parliamentary Secretary to the Minister of Finance (Mr. Evans). I could understand him saying, "Take it easy. There is no need for us to disturb the eternal verities of marketplace economics. There is no need to get excited. There is no need to try to respond to what is going on. We simply have to let the banks and financial institutions compete. They will come up with the lowest mortgage interest rates possible. They will allow all those Canadians working and earning money to be able to provide for themselves. There is no need for any interference."

Talk about Alice in Wonderland. That is the wonderland of wonderlands because it is not the world in which we live. We live in a world where working people are on a treadmill and