

Let me make it very clear that as Minister of Finance I dislike very much having to pay high interest rates on government borrowings. We price the securities which we issue as closely as we can in the light of rates prevailing in the market. No government, excepting one possessing complete totalitarian powers, can compel free men to lend it money. The interest rates which governments in a free society must pay depend upon the interplay of the forces of supply and demand.

Interest rates are high. Money is dear. Last week the United States Treasury issued \$2 billion of bonds with a four year-ten month maturity bearing a 5 per cent coupon. It is the highest rate paid by the United States in the last twenty-nine years.

It is a fact, however, that the prevailing high interest rates have not interfered with the processes of economic growth either in Canada or elsewhere.

Let me add one final observation on the subject of interest rates. There are those who contend that a measure of inflation would today bring about a reduction in interest rates. This is a fallacy of the deepest dye. Inflation would divert savings into equities and diminish the supply of loanable funds. The result would be to force interest rates upward....

Current Credit Situation

I have already drawn attention to the extraordinary demand in 1959 for commercial credit in Canada, and to the fact that the existing shortage is the outcome of the free play of the strong forces of economic growth and is not attributable in any degree to any reduction of supply. Restrictions on credit are never popular. Refusals of credit tend to provoke strong personal resentments. We should have Utopia if every credit-worthy borrower could obtain all the money he requires at reasonable rates of interest, on other terms to his satisfaction, under conditions of full employment, a steadily expanding economy and stable prices. Unfortunately, this is a form of coexistence not yet completely attained in this imperfect world.

You would expect me to comment on the restrictions which the chartered banks have imposed on their own lending operations....

Parliament has conferred on the banks valuable charters containing many rights and privileges. I think we will all agree that these should be exercised with due regard for the national interest.