Suggested Interest-free Loans

What sort of change do we have in mind? A very simple one, and nobody could possibly deny its worth: let finance reflect hard facts; let finance be a servant, not a master; let finance be a flexible and useful tool, instead of a tyrannical one which can only paralyze.

That is why, Mr. Speaker, I have had the honour to move this motion which has been read at the beginning of my remarks, and which I want to read again:

That, in the opinion of this house, in view of the government's inability to effectively combat the frightening increase in the public debt, the public sector of the Canadian economy, including the federal government, the provinces, the municipalities and the school boards should be financed by direct interest-free loans from the Bank of Canada, repayable at the rate of the depreciation on the assets thus created.

Mr. Speaker, before concluding my remarks, I wish to remind the House that the present inflation and rising interest rates actually make even still heavier for the taxpayers the burden of taxes and public debts, due to the higher interests the governments and public bodies have to pay.

In this respect, let me recall what Mr. Louis Rasminsky, Governor of the Bank of Canada, said in the brief he submitted to the Standing Committee on Finance, Trade and Economic Affairs on July 3 last. I shall quote from page 2749 of No. 55 of the minutes of proceedings and evidence of the said committee:

One of the casualties of a prolonged period of inflation is the market for long-term debt obligations. This is because investors become increasingly reluctant to commit their funds in such a form even at progressively higher interest rate levels. Private corporations who wish to raise long-term funds can try to combat this trend by offering equity participation, often in the form of convertible debentures, but this option is not open to government—federal, provincial or municipal—or to buyers or to publicly-owned utilities who must rely on debt financing to cover their borrowing requirements. It is social capital formation rather than private capital formation which must bear the brunt of the harm done to the long-term capital market by inflation.

In his evidence before the Committee on Banking and Credit of the United States House of Representatives on June 21, 1969, during hearings on the increase of the prime rate by the banks, the governor of Maryland, the hon. Marvin Mandell, after having listed the requirements of cities and education, the housing needs of small wage-earners, the need for health care, prisons, rehabilitation of criminals, transportation and roads, pollution control, etc. stated that the Maryland government was forced to give up some plans needed by the people.

He referred at that time to an article published in the June 21, 1969 issue of the *Washington Post* pointing out that several states and cities of the United States were no longer able to sell their bonds, and that certain issues had to be cancelled. Among others he gave the example of the cities of Pittsburgh and Dallas, which had received no offer for school bond issues, while the state of Maryland had cancelled the floating of $59.8 million worth of bonds.

Mr. Speaker, this is also happening in Canada, and that is why, for instance, the Union of Mayors and Municipalities is proposing that a bank be set up to provide for municipal bonds.

It can thus be rightfully implied that it is the social capital, in short, the social projects of all governments which are being scrapped due to the shortage of credit and high interest rates.

That is why, Mr. Speaker, we think that we are justified in proposing that the sums required for the public projects of the federal and provincial governments, of school boards, be financed through interest-free loans granted by the Bank of Canada.

• (3:20 p.m.)

[*English*]

Mr. Max Saltsman (Waterloo): I should like to congratulate my friends in the Social Credit Party. Although I cannot support their motion I can sympathize with their sentiments and it is for this reason I rise now to discuss the present financial system. In a way they have a very understandable grievance because anyone who has been an objective observer over the years and who has observed our financial institutions as well as our way of financing public works over the years, surely has been appalled at the stupidity of the conventional method of financing. This type of financing causes the cry against the establishment, and it is one that has a long history. The cry arises from seeing poverty in the midst of plenty, and seeing waste when there are so many things that are needed by the people. I recall that during the depression years there were many people who wanted to work and there were all sorts of needs that had to be fulfilled, yet the government was not able to match the two together. Later, when the war started it suddenly became possible for this nation to make an enormous expenditure.