

I move that all the words after the word "Act" be struck out, and I would ask the right honourable leader of the Government to give consideration to my amendment. I feel that it is justified by existing circumstances, by the necessity of giving encouragement to farmers and by the fact that money can be borrowed to-day more cheaply than when this legislation was first passed.

Right Hon. Mr. MEIGHEN: Honourable members, I think I understand the point raised by the honourable gentleman, and I remember his bringing it to the attention of the committee.

The Act provides for the lending of moneys to farmers by a Board appointed by the Federal Government. The funds so lent are virtually federal funds, because the Farm Loan Board borrows on its debentures, which are guaranteed by the Government, and the Government buys them. The original legislation provided for making loans up to 50 per cent of the value of farm lands and 20 per cent of the value of buildings, the percentage of the total valuation being from 40 to 50, as the honourable member has stated. This Bill provides further facilities. I am not going to pretend that I have any enthusiasm for the present law or the Bill, for I am not enthusiastic about a system under which the Federal Government makes a direct loan to any person. I have always thought that it was the duty of the provinces, if of Government at all, to make such loans, and that in matters like these the Government of Canada should deal only with the provinces. However, the present Government is committed, as was the former one, to the principle of this legislation.

The Bill empowers the Board to make a loan to a farmer on second mortgage security, over and above an existing loan secured by a first mortgage. There are the limitations to which the honourable member refers; nevertheless the security is only a second mortgage on the farm land and a charge on implements and chattels. I do not think we can afford to follow any principles that a good business concern would not follow, though I am afraid we shall. Certainly no business concern would lend on the margin of security stipulated in the Bill, and especially on the quality of that security—for chattels are included—at as low a rate of interest as would be charged for a loan on first mortgage security. The extra rate of one per cent is little enough.

The honourable gentleman says that Dr. MacLean, the Farm Loan Commissioner, told the committee that the charge of one-half of one per cent over the cost of the money had proved sufficient to take care of losses to date.

Hon. Mr. SINCLAIR.

I do not recall the statement, but I will not for a moment dispute the honourable gentleman's word. That statement really means nothing. The Act has been in effect only since 1929. The losses to date mean the written-off losses. Who knows what the losses are? Those which are going to accrue under this policy—I do not care what Government is in office—will never be taken care of by one-half, or much more than one-half, of one per cent interest over a long period of years. The losses to date are on loans only one, two, three or at the outside four years old, and the principal is not due for years to come. Already there is \$295,000 of interest in arrear. When Dr. MacLean gave us that figure I said it was pretty near half of the interest due. No doubt it will not be all or nearly all loss, but we are in no position yet to measure the results of this policy. I think it will be at least ten years before we are able to measure those results, and then we can do it merely in a tentative way. With twenty or twenty-five years' experience we shall have some real basis upon which to make estimates. But with more than 35 per cent in arrear now, he indeed would be an optimist who would think that one-half of one per cent would be sufficient to take care of losses on farm loans. I do not care how careful your appraisers are, nor how successful farming over a period of years may be, there will still be mistakes which one-half of one per cent will not cover. You are still going to encounter vicissitudes of all sorts. Any one who has had to do with these matters will never for a moment feel that the losses will be covered by the reserve set out in the Bill.

If a case could be made out for a lower rate, it would be this, that the higher you make your interest the harder it is to collect, and the lower you keep it the better probably are the chances of collection. But at the same time the lower rate invites a procession of borrowers, and that, I fear, will be very hard to resist. I hope the House will not be inclined to lessen the very small margin now provided against losses. It would endanger the measure to reduce the rate of interest beyond what is the business level. It is true we can borrow money now cheaper than before, and I hope our credit remains good; but surely we are on the wrong track when we get into the position where the Government borrows all the money and does all the lending, and there is an end of the old system of individuals seeking their own investments, being guided by their own judgment, taking their