

asking for them. British Columbia will want to be treated as well as the Maritime provinces. The Maritime provinces themselves will want fair treatment as compared with each other. Ontario and Quebec will put up quite an argument as to which gets the most. How do you propose to deal with this? I particularly do not want you to say that there will be no politics in this, for I should like to remind you that it is the duty of this Parliament, elected by the people, to guard the expenditure of their taxes. To guard that expenditure, the members of Parliament have to decide what line they will take, and that decision will be made along party lines, and anyone who tells you otherwise is just kidding you. In plain language, everything which the Government of Canada finances is subject to political control, and is going to be as long as we have a representative government in Canada. What I want you to say is how you propose that a government bank is going to stand out against political pressure.

A. Each application should be dealt with fairly and impartially on its merits. If those who are responsible for the management of Industrial Development Bank fail to operate along these lines, they should be removed.

6. Q. I know that the Treasury and the Bank of Canada are in the hands of very competent people, but that does not seem to save us from some pretty rash financial policies. For example, I have noted that the C.N.R., when it put up its reconstruction program to a committee of this House, said that it was going to spend 260 million dollars for projects which might not pay and 103 million dollars for projects which would not pay, because these projects were desirable. I have not heard either the Treasury or the Bank of Canada telling the C.N.R. that their business is not to worry about what is desirable, but to run the railway at a profit. How do we know that the Bank of Canada is going to take any better stand on other projects—especially if the time comes when the governor of the bank is not as good a man as you are?

A.—I am not very familiar with the C.N.R. proposals, but my understanding is that no spending program would be undertaken unless it received the approval of Parliament. As to the stand which might, under certain circumstances, be taken by Bank of Canada, I make the same reply as to Question 5.

7. Q. If this bank is not established, do you really and seriously believe that anything will go very wrong in this country as a result? If so, what? If not, why should we adopt this radical departure from the principles of allowing private enterprise to function on its own steam?

A.—As already indicated, I believe that the problems ahead of us are so great that everything possible should be done to remove obstacles which stand in the way of expansion and development. Certain enterprises would not be able to obtain legitimate credit needs from existing sources. This would mean that a certain number of people would miss an opportunity to obtain employment.

8. Q. Is it not a fact that a very small reduction of the taxation of corporations would render a great deal more capital available for investment than this bank can ever put into circulation?

A.—The only way that such a question could be answered would be to know how much the Industrial Development Bank would finally be authorized to lend and what scale of reduction in corporate taxes is contemplated. However, if corporate taxes were reduced there would still be enterprises which would not be able to finance expansion out of their own net earnings and there would still be some enterprises which would find difficulty in obtaining longer term funds from present sources.

54. Q. How do you propose to stand out against political pressure? I suppose you know that if you build a factory in Regina, in Western Canada, you will want one. If you have any factories in British Columbia, Alberta will be

May 16, 1944.