

Income Tax Act

amendments to that act, be read the second time and referred to the committee of the whole, and the amendment thereto of Mr. Lambert (Edmonton West) (p. 7763).

Mr. William Knowles (Norfolk-Haldimand): Mr. Speaker, I rise to take part in this debate supporting the amendment, and I want to deal with one specific point only. I wish to espouse the cause of credit unions and co-operatives, which stand to be adversely affected by the provisions of the tax reform legislation. I make no apology for repeating this plea because I can think of no other sections of the proposed legislation which will be more harmful to the average citizen of Canada than these sections affecting the credit union and co-operative movements.

A credit union is a group of low income people each of whom as individuals was unable to amass sufficient capital to improve his standard of living. They had a common bond of union. Perhaps they belonged to the same parish, the same labour union or all lived in a small community. They pooled their resources to establish fairly substantial supplies of capital from which a member might obtain a loan to procure for himself the things he required to improve his economic position.

These loans were granted not because the individual had a lot of collateral, such as that demanded by banks and other lending institutions, but because of the man's character, his standing in the community, his integrity and the fact that he would, when circumstances permitted, repay the loan. Let me cite as an example, that small credit union in the town of Delhi. I attended a meeting of the directors of that small credit union and learned the story of a man whose name will remain anonymous unless it is required. He was a worker at a local tobacco factory in the town of Delhi. He tried to borrow money from the local bank and other lending institutions in order to set himself up as a small bricklaying contractor. He was refused because he did not have the necessary collateral. He did not own a home or have anything at all to put up in order to satisfy the bank he could repay the loan. He then joined the credit union in 1955 by depositing \$5 for the purchase of a share. Then, on the basis of his credit standing, he was able to borrow a sufficient sum to obtain the tools and equipment necessary to set himself up as a small contractor. He borrowed on his character and an assignment of his income. Today, he is a successful businessman, a good community-minded man who owns his own home, trucks and other equipment, and employs a number of men in his business. This is an example of what the credit union movement is able to do in the way of assisting ordinary citizens of this country who find themselves in adverse economic circumstances.

The present tax reform measure, far from containing provisions to assist small credit unions to continue to provide these services, has a dangerous clause which, if implemented, could have the effect of forcing the small credit union to close its doors. This is one of the major reasons I join my colleagues in supporting the amendment before the House in the name of the hon. member for Edmonton West (Mr. Lambert). This amendment deplors the lack of understanding by the government of the plight of the ordinary citizen with less than adequate resources who is caught up in this conflicting economic force of inflation and unemployment. It is ironical to me

[The Acting Speaker (Mr. Laniel).]

that a government which purports to espouse the cause of the less fortunate is proposing tax legislation which contains sections which, if implemented, would destroy the very mechanism by which small business people have pulled themselves up by their bootstraps, and I refer to credit unions.

Perhaps at this point, so that hon. members and particularly the Minister of Finance (Mr. Benson) might have a better appreciation of what we are talking about, it would be in order to briefly review the history of the credit union movement. If we know where it had its beginning we might better understand it. It originated first of all in a famine-stricken area of southern Germany in the year 1849. There, the mayor of a small town in a depressed area of Germany, seeing the plight of the poor people, encouraged them to pool their resources. They did this and established sufficient small capital resources from which they could borrow and improve their positions.

• (5:30 p.m.)

The credit union movement in Canada had its origin in the year 1900. It was organized first by Alphonse Desjardins in Levis, Quebec. He was profoundly disturbed by the poor and the suffering in his own parish of that area. He talked with them, he encouraged them to get together and to do what they did in Germany—pool their small resources. It is interesting to note that Alphonse Desjardins was a reporter, a journalist, who later came to Ottawa to be a *Hansard* reporter in this House. By his encouragement of the people in his community he amassed a sum of \$40,000 to aid the people of the area. He was the sole custodian of the fund. People in the community began to talk and said that he was misusing the funds, and so on. Therefore, on going to the premier of the province of Quebec he was able to get a charter drafted by means of which a suitable and proper constitution could be set up for the credit union movement. This, then, was the beginning of the movement in Quebec which, as the hon. member on the other side mentioned a short time ago, became what is today the Caisse Populaire organization in that province.

Today there has been a tremendous growth in the movement and credit unions have spread to the United States. It is interesting to note that Mr. Desjardins was requested by a prominent financier of the city of Boston to go there and explain to the poor sections of that city his plan. Credit unions then were formed in the United States and have grown there as they have in this country. I think it is interesting, also—people who are passing laws which will be detrimental to credit unions should know these things—that it was the credit union movement which first pioneered the principle of insuring loans to members. It was pooh-poohed by financial institutions of the day as being entirely unpractical, yet they have shown it to be workable, so much so that today many lending institutions have provided means by which a member can insure his loan so that the debt dies with the debtor, and his family and those left to carry on are not saddled with the debt which he was unable to repay by reason of death.

Many small credit unions are in existence today in this country as well as the large one, the Caisse Populaire to which I referred. The larger ones deserve encouragement and not discouragement by the government in order that