

*Bank Act*

● (8:50 p.m.)

I suggest that the important and deep concern we ought to have for the particular rates of interest charged various classes of borrowers, and for the allocation of available capital in the right direction to serve national purposes, is not reflected in the present banking machinery, and there is nothing in this bill which in any way assists our banking machinery to serve these purposes. That is why I suggest that, as I have said, the bill lacks imagination, and fails to meet the needs of a modern, technological society.

I want to make clear, in case the minister or anybody else is under a false impression about what I am saying, that I and my colleagues are not of those groups in the community that feel that all of our economic ills can be solved merely by playing around with the monetary or banking system. Our party does not accept that kind of approach. We are fully aware that monetary policy is only one of the tools that are available to assist us in promoting the right kind of development for our economy; nevertheless it is a very important tool, and it is a great mistake to play it down. It is important in two ways, Mr. Chairman. It is important to the economy as a whole and it is also important to many people such as small businessmen and individuals who need credit desperately from time to time.

As far as the large corporations are concerned, one need not be terribly worried about them. For one thing, during the last number of years they have developed their reserves and are able to finance a great deal of their development through internal financing. In any case they represent a pretty safe security and can obtain loans at the prime rate without much difficulty. However the small businesses and individual borrowers are under great pressure under the present banking system, and here again in my submission the bill fails to make the kind of adjustment that will be of assistance to the majority of the people in the two classes to which I have referred.

One of the basic weaknesses of the legislation which is before us, and of the government's approach to the problem of banking, is the failure to exercise a jurisdiction which, in my view, the federal parliament clearly has over all interest rates and all banking operations, whether those banking operations are performed by banks or by institutions other than banks.

The hon. member for Edmonton West referred at some length during his speech earlier today to judicial decisions of the Privy Council and Supreme Court of Canada establishing the clear jurisdiction that the federal parliament has in the field of interest rates and banking. I do not think, if I may say so without presumption, that there is any doubt that the federal parliament does have that authority.

After all, Mr. Chairman, one of the major reasons that the banks appeal to this parliament to remove the interest ceiling arises from their complaint that there is an interest ceiling for the banks but none for the near banks and other financial lending institutions, which places the banks at a disadvantage.

If I understand the matter correctly, Mr. Chairman, one of the reasons that the members of the banking committee agreed to the eventual removal of the ceiling on interest rates was to eliminate the disadvantage suffered by the banks, because of the fact that the federal legislation did not apply to the large financial corporations other than banks that did banking business. If I recollect some of the discussions of the committee in the reports I have been able to read, it recognized that the role of lending institutions other than banks—and therefore their role in controlling interest rates and the allocation of funds—was becoming an increasingly important one.

I say to the minister that there is no reason other than typical and characteristic timidity that this parliament should not have acted to deal with this question, although it may be that this particular bill is not the best framework within which to formulate legislation for the regulation and control of financial institutions, or the banking operations of financial institutions, other than banks.

However, Mr. Chairman, I can see nothing wrong with or illogical about the suggestion of the hon. member for Edmonton West that a bill of this kind could be in two parts, one part dealing with banks and the other part dealing with financial institutions other than banks. Whether or not we have one bill in two parts or two separate bills is a minor and irrelevant point: This parliament ought to have before it legislation providing for regulatory controls over all banking operations of financial institutions other than banks, as well as of banks.

**Mr. Sharp:** Mr. Chairman, may I just ask the hon. gentleman a question. Did he say "all