

have tremendous operations in Canada, and I would venture to guess, so far as their tax position being affected one iota by the withholding tax here, that by reason of the very unusual way in which the effective tax rate is calculated for life companies in the United States, and the way tax credits are calculated, they will be getting full credit for what they pay here. In effect, so long as that withholding tax remains—and I am not sure of how long it will remain since the Speech from the Throne says that there is going to be a climate hospitable to foreign capital investment—it will be Uncle Sam who is really paying the withholding tax to the Canadian Government, because these companies will get a credit for it in the United States.

Be that as it may, there are several factors in it. One is that the loan is payable between now and next May. I understand the reason for that was that the United States treasury was concerned about its balance of payments, and therefore requested the loan be dealt with in that form.

When I looked at the prevailing rate on United States government long-term bonds at that time, I noted it was in the order of about 3.8 per cent, but when I looked at the history of the spread between interest on United States long-term bonds and interest on Canadian bonds in the United States market heretofore, I found it was of the order of one-half of one per cent.

I find all these factors which demonstrate to me that we may have rushed too quickly, and for some purpose that is not easily discernible, to conclude this borrowing at a rate which indicates that the United States investor did not regard the Canadian bond as being as high a type of security as the U.S. government bond.

While I am on that note I should point out, too, that recently the Municipal Finance Corporation in Alberta negotiated a loan of \$25 million in the New York market, payable in U.S. dollars at 5 per cent interest, or coupon rate. I understand the bonds will be offered about the middle of November, and that the issue price is par.

In our borrowing in September, and in the Alberta borrowing in November, there is apparently no distinction recognized in the rate. I am not suggesting that there is any doubt in the minds of the foreign investors that these bonds will not be paid, but the spread indicates a judgment of the quality of the security at the time the offering was made as against U.S. government bonds.

This just about brings me to the end of what I can usefully say on an occasion such as this, but I do want to point out the great danger of distorting facts and situations. Of course, when you are hungry for

good news even a morsel very quickly magnifies itself into a full course meal. On that basis I think my honourable friend and the other speakers in the group that I classified earlier took the morsels where they could find them, and got the excess of comfort they could out of them. I am not blaming them for that. Perhaps had the situation been reversed I might have been trying to do the same thing. What I am trying to do here is keep my honourable friend's feet on the ground, and to be as realistic as I can.

In case my friend may not have heard me clearly and distinctly the first time—because, apparently, that can happen when I am speaking, as indicated by his previous question—I shall repeat that in nothing I have said have I represented that Canada is in a hopeless economic position, that Canada is bankrupt. I want to emphasize that very clearly. I believe strongly in Canada. I believe strongly in the ability and desire of the Canadian people to work hard. Our resources are unlimited.

The honourable senator from Carleton (Hon. Mr. O'Leary) said: we still have our gold mines and our asbestos; our minerals are still there in the ground. Yes, and I might even add that we had them between 1930 and 1935, but there was something more needed than just the possession of these valuable assets. They must be developed, and the climate for development must be properly nurtured. Having regard to our position, to our population, and the necessity to export in order to live, we require a substantial capital inflow to carry out developments. Without the development we cannot spend the wealth from the resources that are in the ground.

These are the things I am pointing out, and I am saying that at the present stage of Canadian development I do not know whether the upturn is going to persist and reach levels beyond those of the recession in 1958, 1959 and for some time in early 1960. Whether we are going to get beyond that, I do not know, but I have enough faith in the sturdiness of the Canadian people and in the good sense of the businessmen of Canada to say that sooner or later we will get these things on the right rails.

We must take not only a short-term but a long-term view, because the real solution to our problems is in an increase in our exports to such an extent that we can take care of our balance of payments, and when we achieve that objective we will be moving along very well.

However, having regard to our financial requirements for development, and to the fact that we do not appear to be able to reduce our balance of payments—it is estimated