

Central Mortgage Bank

Mr. P. J. ROWE (Athabaska): I want to thank the two speakers who have preceded me, the hon. member for St. Lawrence-St. George (Mr. Cahan) and the hon. member for Kootenay East (Mr. Stevens) for the comprehensive analysis which they made of this bill, of some of its defects and some provisions which might lead to abuse. I do not propose to deal with that aspect of the matter, but I should like to confine myself to an examination of some of the fundamental causes of the situation which this bill seeks to remedy. Before doing so, however, I want to thank the Minister of Finance (Mr. Dunning) for placing upon *Hansard* on May 6 a clear and concise analysis of the implications of the bill so far as it affects relationships existing between debtors and creditors. In that statement we have an admirable summing up of a relationship which is too seldom recognized. He said, as reported in *Hansard* at page 3665:

There is a secondary aspect of the problem which is sometimes given, I think, too little consideration, and that is the fact that while the mortgage debtor is in difficulties, particularly when he is a debtor who cannot fully meet his obligations under present conditions, it is also true that the creditor to whom the mortgage debtor owes the debt is himself a debtor.

I can illustrate that by taking two very common examples. If the creditor of the mortgage debtor is a life insurance company, the life insurance company is in turn debtor to its policy holders. Most mortgage companies are debtors to two classes of people, their debenture holders and their savings depositors. A trust company is in the same position; so when in our figuring we stop at the primary debtor and fail to follow through and remember that the creditor of the primary debtor in the great majority of cases is also a debtor to a great group of creditors, very often a large proportion of the people, we are not taking a realistic view of the mortgage problem. I think all too frequently people in approaching this problem indulge in denunciation and condemnation without enough examination, and I want to commend the minister for making a clear and concise statement showing just what our problem is.

Having said that, I want to state that the difficulty which this bill seeks to rectify is the result of world factors over which we have little control. At the present stage of our system one of the great causes of our trouble is fluctuations in the price level of primary commodities, which is one of the factors contributing to booms and depressions. To show graphically just how this affects the position of the farmers of the west, I want to quote just one sentence from the brief submitted

[Mr. Speaker.]

to the Rowell commission by the government of Saskatchewan:

Obligations which often proved difficult to support with good yields when wheat sold at \$1.25 per bushel, quickly became impossible to meet in terms of 40 cent wheat at lower yields.

Of course that is the cause of our trouble. In 1937 the Manitoba cooperative societies submitted to the royal grain inquiry commission a brief in which they made some startling statements. In this brief they outlined the comparative gross income of the three prairie provinces from the sale of primary products for the periods 1926 to 1930 inclusive and 1931 to 1935 inclusive, as follows:

	1926-1930	1931-1935
Manitoba.. . . .	\$ 622,565,000	\$ 285,047,000
Saskatchewan. . .	1,661,413,000	631,012,000
Alberta.. . . .	1,243,335,000	674,666,000
	<u>\$3,526,313,000</u>	<u>\$1,590,725,000</u>

In other words, there was a decline of more than fifty per cent.

Mr. CAHAN: That is, comparing the two five-year periods?

Mr. ROWE (Athabaska): Yes. This decline in the gross revenue of the farmers of the prairie provinces would be sufficient to pay off the total bonded indebtedness of the three prairie provinces, the total bonded indebtedness of all municipalities and the total mortgage indebtedness of all the farmers in the prairie provinces, with enough left over to finance the three provincial governments for the next twenty years with the suspension of all existing taxation. There you have the real cause of the trouble facing the debtors of western Canada.

Just what are we doing about that by this legislation? It might be illuminating to take a glance at the incomes of the people of Canada, to show what type of investor will take up the bonds of the mortgage bank. These bonds will be taken up by people whose incomes are large, derived from the ownership of factories, mines and other assets which produce profits, rent and interest. A glance at the chartered bank returns to the Department of Finance for October 31 last will illustrate what I mean. In these returns I find that there are 4,122,963 savings deposits in the chartered banks of Canada, and of that number 3,797,481 accounts have an average balance of \$119. In other words, over seventy-five per cent of all the savings deposits of Canada have an average balance of only \$119. Obviously that group of depositors will not subscribe to the debentures of the mortgage bank. Coming down to the other end of the scale, or perhaps I should say "coming up," I find 2,541 accounts having an average balance of \$44,030, or a holding of \$111,880,230.