

Supply—Labour

loan program was introduced. This unprecedented move, together with the normal supply of mortgage money and the introduction of the banks into the picture, resulted in an immediate and substantial surge in housing activity in the spring of this year.

By March of 1967 loans under N.H.A. were being processed at a rate four times that of 1966. These loans included not only home ownership loans but very substantial ones for multiple dwellings for rental purposes, primarily in Toronto and other large cities.

Unfortunately, the re-entry of the chartered banks at first fell somewhat short of our expectations, though in fairness I must say that the response has been more encouraging during the last few months. The reason for the lag is not surprising.

While life insurance companies, trust and loan companies historically have directed most of their investment funds to mortgages, the chartered banks in Canada have concentrated their investment and still are, in the more attractive market of consumer loans. These are facts.

Housing, like other forms of real estate, is a particularly inviting investment when the economic cycle has slowed down to an appreciable extent. One can readily confirm that.

Mr. Woolliams: This is the greatest speech I have ever listened to.

Mr. Nicholson: When the economy is in a buoyant state, as it has been for the last three or four years, other fields of enterprise receive the bulk of private support. That support comes not only from the banks but from other private lending institutions.

Mr. Kindt: Mr. Chairman—

● (3:20 p.m.)

Mr. Nicholson: I have a limited amount of time at my disposal. I will be glad to answer questions at the end of my remarks.

The report of the Economic Council to which I have already referred suggests that action should be taken to protect housing from the effects of this anti-cyclical force to which I have referred. When the economy is in a buoyant state, there is relatively little money for housing; when otherwise, there is more, more money goes into housing. The Economic Council in its report refers to this fact but makes no suggestions as to what might be done to alter the situation. I think this should be and is one of their responsibilities. They make no suggestion as to what might be done.

Some hon. Members: Oh, oh.

[Mr. Nicholson.]

Mr. Graftey: They are not running the country. You are.

Mr. Nicholson: They are I believe, there to make constructive suggestions occasionally, at least. They are a council set up to advise. Not only do they fail to offer suggestions to correct this situation, but there is nothing new in the statement to which I have referred. Any student of economics could have made the same statement. Not only Canada but other nations have been trying to resolve this problem for many years.

It would be possible, I think, if we wanted to have a completely controlled economy—and I doubt that any of the hon. members directly opposite would favour that—for the government to intrude into the field of private enterprise and create special economic controls which would ensure housing support at all times. But since we have a private enterprise economy I suggest we must strike a balance between the need of funds for housing and the need of funds for other purposes, including social welfare measures, as well as moves to keep the private sector of the economy pulling its weight, for that is where most of our tax revenues come from.

No one would seriously suggest that a person with an income of more than \$10,000 a year needs a subsidy. Subsidies are not needed for that type of housing, nor are they needed for luxury travel, for the operation of expensive automobiles, for the purchase of television sets and so on. Surely there is a place in a free enterprise economy for operations of this new interest formula. I say that for those who do not need a subsidy, housing should and must compete with other forms of consumer purchasing. This philosophy was reflected in my announcement last evening of an increase in the maximum permissible N.H.A. rate.

Admittedly—and I make no apologies for it—the new maximum rate will be the highest ever established for lending under the act. But it is a rate which this parliament, or rather a previous parliament, introduced into the act to be used in circumstances such as the present. Make no mistake. Anyone with any knowledge of business in this country will agree that the new rate is a most realistic one in view of the prevailing economic conditions. I might say we have been under heavy pressure for the past year to free the rate entirely. Such action would certainly have given new appeal to N.H.A. mortgages but it is an essential purpose of the act to contain the rate within reasonable boundaries in line with economic conditions, and these