

Bank Act

effective in those areas of the financial community which have achieved a new importance in the life of Canada. We certainly welcome the statement of the Minister in the House this afternoon which indicates that these will be included in the bill shortly to be presented to the House.

The economic creation of debt is the building of assets, and the management of debt, both public and private, is of fundamental concern. The most dramatic aspect of public debt in Canada has been the growth of provincial obligations. The provinces are undertaking new tasks and old tasks in a much larger way. The requirements of education, roads and other capital commitments have increased the percentage of the total debt held by provincial authorities. Municipalities have also entered substantially into the debt field. It is interesting to note the table on page 509 of the report of the Royal Commission on Banking and Finance, 1964, which shows that the ratio of federal debt to the gross national product is at its lowest point since 1935. In the last two years the ratio has undoubtedly declined further.

In recent legislation passed by this House, trust companies, insurance companies and loan companies are now permitted to advance by way of mortgages 75 per cent of the assessed value of property, as compared to the 66 $\frac{2}{3}$ per cent which prevailed previously. This will mean that these companies will now be able to hold a larger percentage of their assets in mortgages. There has also been a proposal that banks be allowed to engage more directly in the mortgage business.

There is one caveat I would like to enter with respect to all this discussion. At the present time there is a buoyant real estate market and the percentage of the resources of some financial institutions in mortgages is increasing. At what point is the line drawn? To what extent are we going to use the financial resources of this country to finance real estate development? For one thing, have we made C.M.H.C. mortgages sufficiently negotiable so that an organized secondary market exists for them? The figures detailed above about the growth of plant and capacity should underscore the necessity for making financial resources available to finance this crucial development.

Another important aspect of our growth is the cultivation of export markets. Exports as a percentage of gross national product have, in fact, declined and we should make certain that the most efficient and the best financial

[Mr. Gelber.]

facilities are available to ensure the capturing of markets abroad. We know that competitive countries have made all sorts of attractive financial offers to potential buyers in financing sales of their merchandise, and Canada should ensure that her own export industries have available to them the most advantageous financial arrangements.

There has been a commendable growth of manufacturing exports and we should insist that this highly competitive aspect of our development is encouraged. Many of our basic resource exports are sold on a cash basis, but manufactured goods particularly require financing. We know from bitter experience that in the markets of the world it is our labour which is discriminated against. The more we process our raw materials the more difficult it is to sell them in competitive markets. Therefore we should ensure that our highly processed commodities are offered in world markets under the most advantageous conditions.

In looking at our financial resources we should marshal them for the major tasks which the country requires. Those whose special opportunity it is to offer this type of financing should be encouraged to concentrate their resources on the working capital aspects of financing. Rigidity is something that we should avoid in offering opportunities for development.

• (4:50 p.m.)

At an earlier session of this Parliament, the hon. Member for Essex South introduced a bill which would qualify the preferential position of banks as creditors of bankrupt estates under section 88 of the Bank Act. His proposal was examined with considerable detail by the Banking and Commerce Committee and highlighted the privileged position provided the chartered banks.

In other countries the banking community seems to operate well without this discrimination against ordinary creditors. Its privileges are also subject to abuse. A local manager holding a personal guarantee of a debtor has a common interest with the debtor as against the ordinary creditors. After satisfying all those with a preference there is quite often very little left even to administer the estate. Under the existing bankruptcy law, which I hope will be changed shortly, a heavy onus is placed on the ordinary creditors, who are the ones that inevitably get the short end of the stick.

There is another aspect of financial policy which concerns us and that is price. We certainly welcomed the announcement of the