

Canada's banks should do more to stimulate economy

By Garth Turner
Halton-Peel MP

This recession has been horrible. It's put people out of work, closed too many businesses and depressed house prices. But it has also stopped real estate speculators and dropped interest rates to a 20-year low.

Some people blame all the bad economic news on Ottawa, saying

the GST and free trade and attempts to fight inflation and the deficit are responsible. Well, I'm sure some of this is true. But also to blame was a world-wide downturn which hurt exports. And Canada is not competitive right now - our social programs and wages are wonderful, but costly. Finally, two decades of governments that spent more

than they taxed have given us a crushing debt that sucks off tax dollars in useless interest payments.

There's no simple answer to what caused the recession, or when it will end.

Some people - including MPs from all parties - are starting to say the Canadian banks also have a lot of explaining to do. And I'm

bearing this echoed by small business people all around this area.

Despite the recession, Canada's six major banks last year earned \$3.7 billion in profits - more than ever before in history, and up about 4 per cent from the year before.

This incredible profit came despite larger numbers of bankruptcies, hard times in the retail sector, a plunging real estate market and the loss of manufacturing jobs.

How did this happen? How did the banks manage to profit from bad times? Where did this \$3.7 billion come from?

The answer seems to be this: The banks have been quietly toughening up on their lending practices, making it harder for people to get loans at exactly the economic time when they need them most. Bankers have been slow to extend credit that retailers, for example, need to get through a drought of sales.

The bankers call this "conservative lending practices." But you can also call it destructive - to the guy trying to stay in business; to the unemployed; to the economy as a whole.

And there's another reason for

fat bank profits. As interest rates have come tumbling down, the banks have been quickly reducing the level of interest they pay on deposits. Have you checked what your savings account is paying lately?

At the same time, the lenders have been deathly slow to reduce the rates they charge on some financial products, like credit cards.

Some MPs are calling these bank profits "obscene" and asking for an inquiry. I don't share that view, exactly. There's nothing wrong or obscene about profits. And Canada's banks are about the most stable in the world. Your money is safe there.

But that's not to say the bankers couldn't be doing more to help get Canada back to work. Debt-ridden governments can only do so much. The banks are the ones who pour the lifeblood into our economy, and could have a positive impact right now.

Profits of almost \$4 billion can make it possible for banks to:

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