Their profits went from $362 million in 1970 to $1,186 million in 1980, an increase of two and one quarter times. During that time, this Liberal government, whose Minister of Finance tells us about his daily conversations with the bankers, generously reduced their effective tax rate from 46 per cent to 16 per cent, less than a bank teller pays. How did the banks respond to that handout? Those corporate welfare bums increased the spread between the rate they pay to their depositors and the rate they charge their borrowers by 50 per cent.

● (2225)

The working men and women, Mr. Speaker, and small business operators of Spadina have recently shown this government that they are not the docile and stupid voters that this government thought they were when it sprung the Spadina byelection. If the minister persists in feeding his friends, the bankers, by starving the people who produce the wealth in Canada, the rest of the Canadian voters will soon send them the same message.

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): The hon. member for Spadina (Mr. Heap) has suggested, as the primary thrust of his comments, that the Minister of Finance (Mr. MacEachen) give the Governor of the Bank of Canada a directive to immediately lower interest rates. I think members of the House should remember that the fundamental cause of high interest rates we now face is the rate of inflation. There are also other factors. We have talked about these in the House a number of times in the past. Those factors related to the degree of monetary restraint that is being followed by the Bank of Canada. It relates to the growth of demand for credit that we have seen in this country. It relates to the U.S. interest rate situation, which is a contributing factor. It relates to the supply shocks we have seen in the marketplace over the last three to four years, the rapid rise in international oil prices, food shortages or crop failures in certain parts of the world at different times. All of these factors have led to our inflationary situation. All of these factors, Mr. Speaker, are leading to high interest rates.

The Bank of Canada, Mr. Speaker, has one tool and one tool only at its disposal; that is the growth rate in the money supply. It can make the money supply grow faster or it can make it grow slower. The Bank of Canada cannot, by some wave of its magic wand, nor can the government, cause interest rates to be 15 per cent, or 30 per cent or 5 per cent. It relates to the supply of credit. The Bank of Canada has control over the supply of money, but that is all.

If the Bank of Canada makes the supply of money grow faster, as in the particular situation we are in now, certainly in the very short term, because there is more supply of money, interest rates would tend to come down. The effect of that, Mr. Speaker, would be that in the medium term we would have worse inflation than we have now. In fact, we would have higher interest rates and higher inflation in the medium term than we have now. Now is the time for us to attack the problem of inflation, Mr. Speaker, and get it down, once and for all, and to set the stage for stable and sound economic growth and employment, low rates of inflation and prosperity in the future.

Mr. Deputy Speaker: It being 10.30 p.m., this House stands adjourned until tomorrow at 11 a.m., pursuant to Standing Order 2(1).

At 10.28 p.m. the House adjourned, without question put, pursuant to Standing Order.