

Oral Questions

renewing their mortgages may be paying between 19.25 per cent to 20.25 per cent, and owners of small businesses, like the man outside with the crane, will be paying between 19.75 per cent and 22.25 per cent on loans just to stay in business. A major retailer in Vancouver, Margetson-Lee, is going under. What answer does the minister have to give to these businessmen and Canadians? How can he reconcile these latest increases in rates with his promise made to the House on June 1 that he proposed to do everything possible to bring interest rates down?

• (1120)

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, it is the intention of the government to do everything possible to bring down interest rates. There are various proposals which are being made to bring down interest rates that, in my view, would be more damaging to the Canadian economy than the present situation. I have noted that the Right Hon. Leader of the Opposition on one or two occasions was asked with respect to the inter-relationship between the Canadian and the American dollar and between Canadian and American interest rates, and that he himself acknowledged that he had not found a different way of handling the problem.

Mr. Clark: That is a falsehood.

Mr. MacEachen: I hope, if hon. members have a different way, or have an alternative, that they will bring it forward.

REQUEST THAT BUDGET PROVISIONS BE WITHDRAWN

Miss Pat Carney (Vancouver Centre): Madam Speaker, my supplementary question is directed to the Minister of Finance. While he tells Canadians to abandon hope, our alternative, as he requested, is for him to abandon his budget.

A special government survey of business investment intentions for 1982 indicates that for the first time in 14 years there may be no real increase in business investment and that investment plans for the year are down 5 per cent in the last six months. The minister knows that the reason for this drop in investment is because of the hostile environment created by his budget provisions. How can he justify his delay in withdrawing those measures in the budget which are creating the depressed economy?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I once again disagree totally with the hon. member's premise. The hon. member has the very false idea that the recession through which Canada is going at the present time is somehow related to the tax measures of the last budget.

Some hon. Members: It sure is.

Mr. MacEachen: If she pursues that line of logic, she might explain how these tax measures could affect the United States, how they could affect West Germany, or how they could affect

every European country. Could she explain how the tax measures in the Canadian budget have brought about 30 million unemployed in the OECD area? Her questions and her analyses are so amateurish that they hardly deserve a reply in the House of Commons.

REQUEST THAT INCREASE IN PRIME RATE BE HALTED

Hon. Edward Broadbent (Oshawa): Madam Speaker, when it comes to running the financial affairs of the country, the Minister of Finance is the last person in Canada who should call anyone else an amateur.

The Government of Canada has had the brilliant policy of favouring a perpetual rise in interest rates as a means of artificially propping up the dollar. As every Canadian knows, that has not worked to keep the dollar up, but it has worked in the destruction of businesses and jobs. Considering that since the Versailles meeting alone the prime rate has gone up a full 1.25 per cent and that, as a result, with understated figures, 1,000 businesses are likely to go right out of business and 25,000 more men and women will likely lose their jobs when those businesses disappear, will the Minister of Finance take immediate steps to ensure that there will not be another rise in the prime rate in Canada?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the hon. member asks that the government take immediate steps to prevent a further rise in the prime rate. I assure him that no one regrets more the increase in the prime rate at the present time.

• (1125)

I want to assure the hon. member that, rather than favouring an increase in the prime rate, and rather than favouring an increase in the bank rate, the government and the Governor of the Bank of Canada have done everything possible under the circumstances to prevent a further rise in the Canadian bank rate, and subsequently in the Canadian prime rate. The hon. member can be assured that we are doing everything possible to prevent these increases. But I do not believe that there is an alternative policy to be employed in the present circumstances that would not have the effect, in a very short time, of putting additional pressure on current interest rates in Canada. I wonder if the hon. member believes that it is possible for this country to insulate and isolate itself, in a sense, from all the market forces in other countries. That is the alternative policy that he must have deep in his mind when he asks a question like the one he just asked a moment ago.

Mr. Broadbent: I have no such empty-headed isolation policy in mind. The minister has already heard in the House today that there are at least a half dozen countries, and many more industrial countries, that have interest rates which are substantially lower than our interest rates that are due to the interest rate policy pursued by the Government of Canada.