

Oral Questions

in the last two Budgets to provide incentives to the small business sector to expand. In view of the fact that unemployment in this country continues to increase, whereas in the United States it continues to go down, what steps does the Minister propose to take, what leadership does he intend to provide, to offset high interest rates and to allow the small business sector to expand to provide jobs for the million and a half people in this country who are in danger of being left behind?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, my friend starts his question by saying "if" interest rates continue to increase. That is obviously a hypothetical question, and we will have to see whether or not it is verified over the next few weeks and months. Interest rates have gone up half a point—

Mr. Blenkarn: They have gone up a whole point in the last three weeks.

Mr. Lalonde: If they had gone down half a point I do not think my friend would have said that this was a fantastic factor for growth and that all our problems will be resolved. On the other hand, because interest rates have gone up half a point, there is no reason to believe the recovery has come to a halt or that we will know a recession.

There are movements in interest rates, and we are trying to keep those movements to the minimum on the upward side. I hope that the situation in the United States will stabilize without generating further increases in interest rates in that country. If that were to be the case, we would be in a position to have no further increases in our country either.

As far as the Hon. Member's reference to unemployment is concerned, obviously we are very concerned about the number of unemployed in our country. However, I want to remind my friend again that employment has also increased quite significantly in our country. As of last month we have created 54,000 new jobs. I hope we will continue to do so over the next several months.

COMPARISON WITH UNITED STATES ECONOMIC TRENDS

Hon. James A. McGrath (St. John's East): Mr. Speaker, the dollar continues to hover around 78 cents. The Minister knows in that kind of scenario interest rates have to go up.

● (1420)

Since the Minister continues to compare our situation with that of the U.S., can he explain how it is in the last three months unemployment in Canada continued to increase, whereas in the U.S. it continues to decline? It is now below 8 per cent. The U.S. employment rate is about 2.8 per cent ahead of where it was when the recession started, and we are 1.3 per cent behind. Can the Minister explain why we continue to fall behind and the U.S. continues to move ahead?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, again my friend forgets to mention that employment has also

increased quite significantly in Canada in the last several months, particularly in the last month. As I said, it has increased by 54,000 new jobs. As far as industrial production is concerned, my friend makes a very selective choice of statistics. For example, in *The Economist* of March 17 there is reference to changes in the annual rate of industrial production. In Canada it is plus 13 per cent; in the United States it is plus 9.9 per cent. There are statistics which show there is faster growth in the U.S. than in Canada and in other areas there is faster growth in Canada than in the U.S., as in industrial production.

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FINANCE

INTEREST RATES—OPTIONS INQUIRY

Hon. Michael Wilson (Etobicoke Centre): Mr. Speaker, with all the data out today there is no question that the Canadian economy is growing less quickly than that of the U.S. Some 50,000 jobs have been created in Canada as against 2.7 million in the U.S.—not a very good performance.

This morning Mr. Feldstein, chairman of the U.S. Council of Economic Advisers, said that higher interest rates are a natural consequence of the much stronger U.S. economy. Last week Governor Bouey said there is no domestic reason for higher interest rates in Canada. Yesterday the Minister said if interest rates go up in the U.S. we are going to follow in lock-step. Since the Minister's Budget in no way anticipated the higher interest rates, would he let the Canadian people know the options open to us if in fact interest rates in the U.S. continue upwards the way they have over the past few weeks?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, the Hon. Member refers to what Governor Bouey said, that there are no domestic reasons for the rate increases we have known. He went on to explain the external reasons for the increases we have known. If my friend can explain to me how we can have a situation in Canada where people who are saving will get, let us say, 9 per cent, but 11 per cent in the U.S., and why they would keep their savings in Canada rather than the U.S., then he will have the answer to his own question.

As long as we have a situation where our economies are so interdependent, and where there is freedom of movement in capital markets, he will realize we must have competitive interest rates in Canada if we want to keep investment and growth in this country. Even the Conservatives would be the first ones to ship their money to the U.S. if they could get a higher return.

Some Hon. Members: Oh, oh!

Mr. Lalonde: I am sure he knows that.