

Interest Rate Policy

Mrs. Mitchell: The economic policy of the government is supposedly one of restraint to cool down inflation. As we know, that has resulted in a continuous spiral of interest rates, and there is no restraint at all in view. The latest mortgage interest rates mean that instead of forcing down the price of housing there will certainly be an escalation of costs for both tenants and home owners. We know that most families who have homes and have to renew their mortgages face a crisis simply because they cannot find another \$400 up to \$700, depending on their mortgage arrangements, per month. The cost of food is increasing every month. There are increases in the cost of fuel and transportation, not to mention increased taxes. How can people possibly find these amounts of money on family budgets? Their only choice will be to sell their homes or face foreclosure. This is exactly what has happened. As we have said before in the House, foreclosures are at an all-time high and have been for the past year. As my leader stated the other day, approximately 1,000 home owners a month are being forced to abandon their homes. This is according to the economic review of the Department of Finance to which my leader referred today. We face a very desperate situation and have for the past year.

However, if we think we have had a bad time this year, just wait until next year. Next year is the year when there will be a record number of short-term mortgages coming due. A lot of five-year mortgages were taken out five years ago in the hope that mortgage interest rates would come down. Many three-year mortgages were taken out three years ago. Very short-sighted but desperate people took out one-year mortgages last year hoping against hope that they would be able to beat the system this year. All these mortgages will be coming due next year. If ever there was a time for government planning, this is the time, but we know that the minister responsible for CMHC has said that we will stand pat, we will not do anything new and we will not do anything to protect the people of Canada who are losing their homes. The Minister of Finance (Mr. MacEachen), supported by the Prime Minister (Mr. Trudeau), has promised that there will be no changes in economic policy, so we can expect that mortgage interest rates will go even higher.

Whenever we speak about mortgage interest rates, we tend to focus on home owners and the effects they face whenever interest rates go up. I would like to stress, however, that tenants in most cities are in a much greater plight than most home owners. Those of us who own homes or have some equity in homes at least have some security for the future. We have something to show for the money we have to pay. Tenants in most cities spend all of their incomes on the high cost of living. They are unable to save for homes. Many of them, at least in my city of Vancouver—thousands of them, as a matter of fact—are paying over 60 per cent of their incomes on rent, yet our minister suggests removing rent control.

Young people—and I am sure we all know many of them—are simply putting off indefinitely or forever having families. How can they have families when they cannot get out of one-bedroom suites and cannot really afford the cost of those?

Those who have been saving for houses will be disappointed again unless they have incomes, as I said, of well over \$47,000. Who has those incomes? The only ones who have any hope at all—and these are the smart ones, in my opinion—are the people who have had the foresight to try to get their names on co-op housing waiting lists. Let us hope there will be some increases in funding for co-op housing, since that is about the only affordable housing for young people or, for that matter, for anyone today.

As a direct result of the economic policy of this government, and particularly as it affects home owners and tenants, I maintain that we have a two-class society, and the disparities are becoming greater every time interest rates go up. Those who are lucky enough to own their homes, even though they may be modest homes costing a few thousand dollars 20 years ago, are the comfortable elite compared with young people today. This critical situation has come about directly as a result of federal economic policy—and within an astonishingly short period of time, if we look back over the last five years.

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High interest rates have not cooled down inflation. The price of housing has not cooled, it is at boiling point, and so are Canadians. It is certainly no wonder at all that Canadians are demanding higher wages just to keep food on the table. Excessively high interest rates have depressed housing starts across Canada as well, discouraged the construction particularly of rental housing despite that famous MURB program. In B.C. it so happens housing starts are up and we do not have unemployment in the construction field, but I can say most of our trades people are moving to Alberta because they cannot afford to own a house in Vancouver. Potential home buyers are being kept out of the housing market and those facing renewal are in an impossible situation.

I would mention briefly that housing starts are down in most provinces. Perhaps hon. members would be interested in a comparison of house prices across Canada. Here again we see a direct relationship to high interest rates. Vancouver is in a crisis situation and the disease is spreading to Ontario, so let us hope we are now going to get some action.

If we compare prices in Toronto, Montreal and Vancouver over the last quarter we see that in Toronto house prices for an average family home have gone up from \$76,000 to \$79,000, an increase of 4.2 per cent. In Montreal, prices have increased from \$51,000 to just over \$52,000; and I am told that the fastest increases are coming in Montreal and that over the past year increases have been much greater than that. In Vancouver the average price has increased from \$133,000 to \$156,521, an increase of 17.6 per cent. So we can see that the average increase in housing prices across Canada is over 12.3 per cent in the last three months, and this jump and the cutback in housing construction are directly related to these completely irrational economic policies.

I would like to mention one bright light on the horizon, and let us hope that the federal government is going to take notice and expand this program. Nova Scotia announced yesterday a