

Inquiries of the Ministry

Mr. Macdonald (Rosedale): Mr. Speaker, if the right hon. member is seriously interested in the matter he will let the debate come to a vote. After that we could get on with the matter he raised.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: So the farmers are not to be helped.

Mr. Bell: Merry Christmas! That's how long we will stay here.

FINANCE**INCREASE IN BANK OF CANADA INTEREST RATE**

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I direct a question to the Minister of Finance. Did the governor of the Bank of Canada consult him on the matter of raising the Bank of Canada's interest rate to 8 per cent? Has this step the government's approval and concurrence?

Hon. E. J. Benson (Minister of Finance): Mr. Speaker, of course the matter of the interest rate is a decision for the governor of the Bank of Canada, but I ought to indicate that I was consulted.

Mr. Douglas (Nanaimo-Cowichan-The Islands): A supplementary question, Mr. Speaker. Since the chartered banks have often raised their commercial interest rates after the Bank of Canada has increased its rate, has the minister taken any steps to persuade the chartered banks not to raise their commercial interest rates inasmuch as there is no law requiring that there be a spread of one percentage point between the commercial and Bank of Canada rates?

Mr. Benson: Mr. Speaker, as the governor of the bank explained in his statement, the bank rate was raised primarily for external purposes. Interest rates prevailing in other parts of the world are so attractive that Canadian funds have been moving out to be invested in other parts of the world through swap deposits. This flow increased by some \$180 million last week. To rectify the situation the governor of the Bank of Canada first of all requested that the banks maintain swap deposits only at their present level and, second, he increased the Bank of Canada rate to 8 per cent. I sincerely hope this does not mean that there will be an increase in the commercial prime rate which is now at 8½ per cent.

[Mr. Diefenbaker.]

Mr. Douglas (Nanaimo-Cowichan-The Islands): While all hon. members share the pious hope of the Minister of Finance, what I am asking is whether he has had or intends to have any meetings with the representatives of the chartered banks in order to persuade them, by whatever means at his disposal, not to raise the commercial rate and not to use the increased rate of the Bank of Canada as an excuse for doing so as has been the case so often in the past?

Mr. Benson: Mr. Speaker, may I say that I do not direct the banks in respect of what rates they may charge and neither does the governor of the Bank of Canada, as he indicated in his testimony before a committee of this house. I do not see any occasion for an increase in the prime rate in these particular circumstances.

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, as I understood the minister, I believe he said the Bank of Canada rate was being raised because funds owned by Canadians were flowing out of the country. How does he think this step will be effective in retaining funds in Canada unless it is reflected in higher interest rates in Canada?

Mr. Benson: Mr. Speaker, swapped deposits, as my hon. friend will understand from the statement of the governor of the Bank of Canada, are carried out through the banks. The increase in the bank rate means it will cost the banks more to get money if they should turn to the Bank of Canada. The governor has also placed a ceiling on swapped deposits. The request of the governor of the Bank of Canada should discourage this outflow because interest rates are higher in other countries than in Canada.

Mr. Stanfield: Mr. Speaker, could the Minister of Finance indicate what effect the higher interest rates have had on the holdings of Canada Savings Bonds?

Mr. Benson: To date there have been no undue redemptions of Canada Savings Bonds. They are moving along relatively at the same rate as in the past.

[Translation]

Mr. Henry Latulippe (Compton): Mr. Speaker, my question is directed to the Minister of Finance.

Could the minister tell us whether the Canadian constitution has been amended, and when, to give the governor of the Bank of Canada such powers to increase interest rates?