

Presence in Gallery

Opposition, the present Secretary of State for External Affairs.

MINISTER'S POSITION

Hon. Edward Broadbent (Oshawa): Mr. Speaker, the Minister is aware of the negative consequences for jobs and mortgages and, indeed, for the deficit, as he pointed out when he was in Opposition. If he is really concerned that an increase in interest rates will in fact lead to an increase in the deficit, which is what he said when he was on this side of the House, why is he pursuing such an inconsistent policy by talking about deficit reduction on the one hand, and permitting interest rates to go up on the other?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, I took the Hon. Member aside and into my confidence yesterday and explained to him the background to the policy. I indicated to him the difficulty—

Mr. Turner (Vancouver Quadra): Real cosy.

Mr. Wilson (Etobicoke Centre): I will take the Leader of the Opposition aside too and teach him something, because he has an awful lot to learn.

Some Hon. Members: Hear, hear!

Mr. McDermid: That's too big a task.

Mr. Wilson (Etobicoke Centre): The point that Hon. Members must recall is that during the course of the last 16 months interest rates have come down—

Mr. Broadbent: They are going up now, Michael.

Mr. Wilson (Etobicoke Centre): —and we have created 450,000 jobs. Investment intentions are up by 11 percentage points and housing starts are up by 30 per cent. That is the true nature of the policy of the Government, and that policy will continue.

Some Hon. Members: Hear, hear!

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HOUSE OF COMMONS

PRESENCE IN GALLERY OF PREMIER OF PRINCE EDWARD ISLAND

Mr. Speaker: May I advise Members of the presence in our gallery today of the Premier of Prince Edward Island, the Hon. James Lee.

Some Hon. Members: Hear, hear!

PRESENCE IN GALLERY OF UNITED STATES SECRETARY OF AGRICULTURE

Mr. Speaker: May I also advise Members of the presence of the Secretary of Agriculture for the United States of America, Mr. John Block.

Some Hon. Members: Hear, hear!

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● (1425)

THE ECONOMY

INTEREST RATE LEVELS—ACTION TAKEN BY BANK OF CANADA

Mr. Raymond Garneau (Laval-des-Rapides): Mr. Speaker, my question is directed to the Minister of Finance. On Monday in the House I asked the Minister of Finance if it was the Government's policy to let interest rates to go up to defend the dollar. The Minister of Finance responded that: "The simple answer to the question is no". Well, 25 minutes ago the Bank of Canada raised its bank rate by 17 basis points to reach 10.38 per cent in order to defend the dollar.

Will the Minister of Finance retract his words from Monday and tell the House if he fully supports this action of the Governor of the Bank of Canada?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, in response to a question from the Leader of the Opposition I indicated to the House that I fully support the policy of the Bank of Canada. As I have said in the House on a number of occasions, that policy is that the Bank of Canada will moderate the movements in the market-place, both in interest rates and exchange rates, upwards and downwards. That is the policy that has proven to be successful in the past 18 months, and that will continue.

[Translation]

INTEREST RATES—GOVERNMENT POLICY

Mr. Raymond Garneau (Laval-des-Rapides): Mr. Speaker, last October, there was a difference of about 150 base points between American and Canadian interest rates. This difference has now reached 300 base points. How can the Minister of Finance say that it is not the policy of his Government to let interest rates go up?

[English]

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the Hon. Member is a former banker. He should understand the movements of interest rates and the pressures in the international markets.

It is not possible for the Governor of the Bank of Canada or the Minister of Finance, as I said yesterday, to wave a magic wand and say this is what will happen to interest rates—

Mr. Benjamin: Try it.