

their inability to come out with anything worth-while for the country.

Mr. Hnatyshyn: Your nose is growing.

Mr. Blenkarn: Mr. Speaker, through his rhetoric the Minister is trying to patch over the problems the country faces. There is a tremendous lack of confidence, and we are asking for something to restore confidence.

GOVERNMENT'S SPENDING PLAN

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, the Minister knows that the present committee system does not work effectively in policing the over-all spending program of the Government, nor does it do anything with respect to the over-all borrowing requests of the Government.

What we are asking the Minister to do is to come up with a new program. He has had his six and five program, but that did not work. He has proposed a 4 per cent program, and that did not work. Will he take the House into his confidence and have a special committee of the House go over the over-all spending plan for the Government?

[Translation]

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, the Hon. Member is referring to the situation in Canada. I may remind him about the present situation in North America. He must have noticed that both interest rates and the rate of inflation have increased in the United States. Our two economies are extremely interdependent, and there is certainly no question of a lessening of confidence in the Canadian economy. What is happening now is specifically a North American phenomenon, and the Hon. Member is aware of the close interdependency between the Canadian and American economies. About his suggestion that the Opposition should be able to examine the full range of the Government's spending, that is exactly why annually, the Estimates for the various Departments are referred to the Standing Committees. Today, at this very moment, parliamentary committees are sitting to discuss the Estimates. If the Opposition has any useful ideas to propose, it can easily do so before these Committees or in the House. There have been Opposition days and there will be more. There is Question Period. At this very moment we are having a debate in the House on the Government's borrowing authority and the Opposition has ample opportunity to propose initiatives it would like to take. However, the only suggestion we have received was not made in the House. It was made by the Official Opposition Critic, who said that as far as he was concerned, he would cut family allowances and old age pensions. This was later denied by his Leader. I am very anxious to see when those two will reconcile their differences and we will be able to find out what the Progressive Conservative policy is on this issue.

Oral Questions

[English]

INCREASE IN RATE OF INFLATION—EFFECT ON INTEREST RATES

Mr. Nelson A. Riis (Kamloops-Shuswap): Mr. Speaker, my question is also for the Minister of Finance. Over the past three years we have seen the inflation rates of the country increase, and because of this fixation, this traumatization that has occurred around an increase in inflation, the Government has always responded by increasing interest rates. The idea has been to increase interest rates and throw thousands of Canadians out of work in an effort to bring down the rate of inflation. Well, over the past number of weeks and months we have seen a gradual increase in inflation. We see it again today. Can we expect the same kind of behaviour by the Minister of Finance and the Governor of the Bank of Canada in terms of the typical knee-jerk and mindless response to this increase in inflation? Are we going to see interest rates increased?

● (1130)

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, the Government does not increase interest rates. The slight increase in inflation we have known this month is not one which will lead the Government somehow to direct that there should be an increase in interest rates. This is not how the economy works, and my friend knows it.

The fact is that interest rates had been edging up in the United States before they started edging up in Canada in the last several weeks.

I am confident that the increase in rates we are seeing at the present time is not going to be substantial. I hope it will not be long lasting. The evolution of the situation in the United States, in particular, is being followed very carefully, and there is every reason to believe that we will not see large increases in interest rates over the next several weeks.

REQUEST THAT MINISTER ORDER REDUCTION OF INTEREST RATES

Mr. Nelson A. Riis (Kamloops-Shuswap): Mr. Speaker, the Minister of Finance has got to stop hoping that interest rates are not going to increase, and stop wishing for a recovery. It seems to me that the Minister of Finance is at a crossroads. He is at a very important point. With the decreasing value of the dollar, the inclination is for him to increase interest rates. With the increase in inflation, the reaction is again to increase interest rates.

The Minister knows full well that with an increase in interest rates the recovery is not going to be sustained. Will the Minister of Finance take it upon himself to provide some leadership and face this problem, in terms of ensuring a prolonged, sustained recovery by stopping this increase in interest rates and taking some action in directing the Governor of the Bank of Canada to reduce interest rates?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, ever since my appointment I have tried to provide strong,