

National Housing Act

same trend. In other words, the families who qualify must have larger incomes than a year ago, and they then had to be larger than the year before that. I think this must be a matter of general disappointment, and it is something that must not be overlooked by the government. It is something that, in my view, is going to require some form of redress. The bill now before us does not offer anything by way of redress to meet that particular problem.

The second matter about which no mention was made in the minister's statement today is the matter of interest. Now, the matter of interest affects government assistance of all kinds under all parts of the act. It is, I suppose, of particular concern to those individuals who are borrowing money on mortgages under part I of the act. The effect of an increase in interest rate necessarily is to make construction more expensive, to increase carrying charges, and to that extent to reduce the volume of home construction that would otherwise be attained.

Certainly the importance of the interest rate on the volume of home construction was recognized two years ago when the banking and commerce committee studied very intensively the provisions of the new act of 1954. For that very reason we questioned the numerous witnesses who appeared before us at no little length in regard to the outlook for increases or decreases in the effective rate of interest.

It is the declared hope of the government—indeed the minister reiterated it on Monday—that a high volume of house construction should be maintained; but at the very same time as it is professing that hope the government is participating in a policy of raising interest rates. Indeed, the government cannot escape its responsibility in this respect. In his reference to this subject on Monday the minister suggested that the increase in interest rates was simply the result of the interplay of the forces of supply and demand in the money market. Well, sir, it is a good deal more than that because, while last fall there may have been some slight diminution in the volume of mortgage money available for investment, there was nevertheless a very substantial volume of money available. But the Bank of Canada, which obviously does not act in these matters without regard for government policy—indeed, it acts in concert with government policy and is the fiscal agent through which government policy is implemented in such circumstances—introduced a series of increases in its discount rate. The first of those increases was introduced on August 5, when the Bank of Canada increased the bank rate from $1\frac{1}{2}$ per cent to 2 per cent. On October 12 it increased it from 2

per cent to $2\frac{1}{4}$ per cent, and on November 18 from $2\frac{1}{4}$ per cent to $2\frac{3}{4}$ per cent.

There was a reference to this subject in the house this afternoon during the question period, and the Minister of Finance then sought apparently to give the impression that the part played by the Bank of Canada in bringing about an increase in the interest rates on commercial loans through the chartered banks and other loans such as mortgage loans was simply a result and not a cause. Well, if that is the view of the Minister of Finance it is high time he re-examined the facts, because the government did not wait for an increase in the interest rates on loans of all kinds to be brought about by the interplay of the forces of supply and demand in the money market. Rather, the fiscal agent of the government, acting in pursuance of government policy, chose to introduce a series of increases in its discount rate, which were followed, and were intended obviously to be followed, by increases in the interest rates charged by the chartered banks on commercial loans, and necessarily by increases in the interest on mortgage loans.

The government cannot escape responsibility. It may well be that if there had been no Bank of Canada, or if the Bank of Canada had taken no action of this kind, there would have been some increases in the rate of interest on loans. But, Mr. Speaker, let the government not pretend that it had no part in bringing about those increases in interest charges. The government had a part, and the increases initiated by the Bank of Canada were a cause. They were not the only cause, but they do not escape the quality of cause. They are not just effect, as the Minister of Finance sought to picture them today.

It is not the fault of the Minister of Public Works. I quite realize that he wishes to see a high volume of house construction maintained, but to the extent to which interest rates applicable upon loans under the various parts of the National Housing Act are increased the responsibility does rest upon the government, because to a substantial degree these increases are the result of government action taken through the Bank of Canada.

Let me be fair in saying that, sir. To the extent to which action of that kind is warranted to meet inflationary forces, then we shall want to look at it in equal scales and to weigh any measure that is taken for the professed object of restraining inflationary forces; but the government does not yet acknowledge that they have any serious problem of inflation. The Minister of Finance had amazingly little to say on that subject in his recent budget speech, and in anything