

*Oral Questions*

this House and supported by himself nine months ago through a ways and means motion?

**Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance):** Madam Speaker, I am indeed serious about the small business development bond. It was originally introduced a year ago last December and subsequently reintroduced in April. It will be before the House for approval shortly when the income tax bill is debated. In the meantime the benefits are open to small businessmen in Canada.

**An hon. Member:** They are not.

**Mr. MacEachen:** They have been taking advantage of them.

**An hon. Member:** They are not.

**Mr. Baker (Nepean-Carleton):** The banks will not take them.

**Mr. Gurbin:** Madam Speaker, a supplementary question for the Minister of Finance. I am sorry that he is not aware of the tremendous confusion there is in the country surrounding this measure. The fact is that many people who might have had an opportunity to take advantage of this bond have not been able to because of many of the confusions that surround it. I ask the minister very seriously if he will undertake to enact this legislation immediately so that people can understand what it is all about, and the banks in particular, because they do not know what it is all about. The branch banks in local areas do not know what it is all about. Will the minister make sure that they understand it and will he encourage them to use it?

Finally, Madam Speaker, will the minister extend the use of the small business development bond to unincorporated businesses and farmers who have not been able to take advantage of it? Will he also extend the period beyond March 31? People do not know what this program is all about and have not had an opportunity to take advantage of it.

**Mr. MacEachen:** Madam Speaker, I must say that I do not share all the concerns expressed by the hon. member. There is no reason why the banks should not understand what it is all about, because in the very early stages, officials of my department and bankers had discussions. In fact, as a result of these discussions we were able to make certain adjustments to the program. Likewise, it is quite well known to the small business community in Canada through the organization that is headed by Mr. Bulloch, with whom I have had discussions about this particular bond.

I will consider the hon. member's views and see whether any of the difficulties he alleges exist, because it is my purpose, as it is his, to make this program available as widely as possible during the period in which it will be in effect.

**BANK OF CANADA**

## POLICY RESPECTING INTEREST RATES

**Hon. Michael Wilson (Etobicoke Centre):** Madam Speaker, my question is also directed to the Minister of Finance. This past week the Bank of Canada sold about \$1 billion worth of securities to keep interest rates at the current record high level. With the Canadian dollar up about 1.5 cents from its low point, with U.S. interest rates down, with bankruptcies and unemployment up, can the minister explain why the Bank of Canada has followed this deliberate attempt to keep interest rates high when they had the clear option to let the interest rates go down?

**Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance):** Madam Speaker, I believe the hon. gentleman knows it is not customary to comment on particular transactions made by the Bank of Canada in the market. I would draw to his attention, however, that it seems to me it has been the objective of the Governor of the Bank of Canada, in pursuit of his policy, to attempt to moderate fluctuations in the bank rate. It does not seem to me to be very profitable to have the kind of wide swings that have been experienced in the past year. I am sure that if what the hon. member alleges is the case, it is undoubtedly not done deliberately to prevent rates from going down but to moderate these fluctuations; or, in a sense, to ensure that when real drops occur, they last and are not temporary and followed by an upswing. That is really what the purpose of the action would be.

**Miss MacDonald:** That is quite an explanation.

**Mr. MacEachen:** It is too subtle for you.

**Mr. Wilson:** Madam Speaker, I am sorry I did not understand that gobbledygook that we got back from the Minister of Finance. Interest rates in this country are too high. We want to see them down to somewhat lower levels than these very high levels we have today.

My supplementary question is to ask the minister whether the Governor of the Bank of Canada discussed or sought his approval for this transaction—not a particular transaction, but a very important indication of policy on the part of the bank to hold rates up at these very high record levels?

**Mr. MacEachen:** First of all, Madam Speaker, the hon. member asked for interest rates to be lowered. He will be pleased, as I was, to have observed that the bank rate has decreased on the last three Thursdays on which the auctions have taken place. He can take some small satisfaction from that development.

**An hon. Member:** How much?

**Mr. MacEachen:** In reply to the other part of his question, I regularly meet with the Governor of the Bank of Canada on a weekly basis and at that meeting we discuss the current situation.