

Adjournment Debate

Canada has estimated privately that there may be about \$12 billion in annual savings by Canadians available for investment. The effect of the way the government has been operating is to soak up all that investment in order to finance its bond issues and make sure that interest rates in Canada are kept higher than they normally would be.

● (2215)

From January 1, 1977, until the present time, the amount of government borrowing has increased from \$42 billion to \$77 billion. Of that increase of \$35 billion, over \$28 billion has been directly soaked up by the public. Most of the money borrowed has been soaked up by the public. Certainly in the past year the banks have taken virtually none of it.

This government uses the Bank of Canada as a vehicle to finance its outrageous debt, and uses the interest rate system to force interest rates up in Canada so as to deprive private business of money. Consequently, we get the very proper statement from the Canadian Federation of Independent Business that in Ontario alone 17.2 per cent of businesses have delayed planned expansions or cancelled new job opportunities because of excessively high interest rates.

I maintain that the interest rate policy of the government is designed to force up interest rates and thus make it possible for the government to place its outrageous debt requirements on the open market. This deprives small business, medium business and indeed, large business, of the opportunity to borrow at realistic rates. The effect of the government's activity has been to increase interest rates to business by between .5 per cent and 1 per cent, at least. The policy so far this year has been to hide behind the scheme of allegedly relating interest rates to the average of treasury bills. But this is a dirty float—the same dirty float as they used in foreign exchange dealings.

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): Mr. Speaker, the hon. member may remember that when the question he referred to was posed to the Prime Minister (Mr. Trudeau) with a supplementary to me, I indicated that the policy of the Bank of Canada has been and continues to be to resist sharp fluctuations in interest rates in Canada, especially in the 91-day treasury bill market, by buying out of the market and selling into the market, as the case may be, when the Bank perceives

that the interest rate fluctuations are beyond normal bounds or are erratic and threaten to destabilize capital markets in the country.

The hon. member will recall that the purpose of these activities of the Bank of Canada is to maintain orderly markets. If he would look at the mandate given to the Bank of Canada in the Bank of Canada Act, he would see that one of the three stated purposes for the establishment of the Bank of Canada was to maintain orderly markets in Canadian capital and financial areas.

The mandate of the Bank of Canada is to maintain orderly markets. Over the period to which the hon. member has referred, it has both bought and sold government securities which means that in some cases it was moving in opposition to a rise in interest rates and that at other times it was moving in opposition to a decline in interest rates when it thought those interest rate movements were excessively erratic.

● (2220)

There is no evidence at all to support the hon. member's contention that the bank has been consistently keeping interest rates above their equilibrium level. In fact, it is quite clear that the bank could simply not maintain interest rates above what the market would say is the equilibrium rate in the marketplace for any length of time whatsoever because it would mean that the bank would have to be operating in one direction against the market in a consistent way, and the bank simply does not have sufficient power to force itself against the market consistently over a long period of time.

All I can say to the hon. member is that if he will look more carefully and perhaps take some guidance from the answers which have been provided to him in previous sessions of the House, I think he will find that in fact his contention is unfounded and that the bank has simply not been undertaking any such policy as he suggests in his question.

The Acting Speaker (Mr. Blaker): Order, please. The motion to adjourn the House is now deemed to have been adopted. Accordingly, the House stands adjourned until tomorrow at 2 p.m.

At 10.20 p.m. the House adjourned, without question put, pursuant to Standing Order.