

Oral Questions

raised by the Hon. Member. The answers to these questions correspond with the government policy in this regard and there is nothing that the Governor said with which I disagree. It does indeed represent the position of the Government as I stated it in the House a few days before the Governor.

EFFECT OF INCREASE IN INTEREST RATES

Hon. Michael Wilson (Etobicoke Centre): Mr. Speaker, my supplementary question is directed to the Minister of Finance as well. On a number of previous occasions I pointed out in the House that the economic performance in Canada has been significantly weaker than that in the United States since this Government came into power. The current policy of increasing interest rates in Canada will widen the gap between the countries even further, particularly in the areas of unemployment and job creation. What is the Minister doing to offset the effect of high interest rates, particularly on the million and a half people who are unemployed today?

[*Translation*]

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, I may point out to the Hon. Member that up to now, only one bank has increased its prime rate from 11 to 11.5 per cent, and that the other banks have not yet done so. The Toronto-Dominion Bank has raised its mortgage rates, but I do not think it has raised its prime rate.

I may also remind him that U.S. banks have raised their prime rate to 11.5 per cent in the last few days, and if my colleague has a formula for keeping interest rates in Canada substantially lower than those in the United States, perhaps he would care to tell the House how he would proceed.

[*English*]

Mr. Wilson: Mr. Speaker, I am not asking the Minister to ask a question of me. I am asking him a question on behalf of the million and a half people who are unemployed and on behalf of the small businessmen who will be adversely affected by high interest rates.

Some Hon. Members: Hear, hear!

REPORTED DECLINE IN VALUE OF DOLLAR

Hon. Michael Wilson (Etobicoke Centre): Mr. Speaker, on Friday Governor Bouey indicated that he would resign if the Canadian dollar were allowed to slide in a significant way because of the inflationary effect that that would have on our economy here in Canada. Are we to take it that government policy no longer will be to allow the dollar to find its own level? Will the Minister, on the strength of his convictions, stand up and offer his resignation if the Government's policies do not stem the slide in the Canadian dollar which today hit an 18-month low of 78.06 and was only stopped by massive intervention on the part of the Government?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, once again I am happy to note that the Tories have no answers to some of the questions which they themselves are asking.

Some Hon. Members: Hear, hear!

Mr. Lalonde: They refuse to address those questions. I will answer the Hon. Member by referring him to page 10 of the transcript of the Governor's remarks. He said: "In these conditions we moderate the increase in interest rates but not so as to cause the exchange rate to really go into a free fall." Again, another question was asked of the Governor and he said our policy "is to moderate and we have moderated both ways". The policy of the Governor of the Bank is the policy that is being followed by the Government.

INCREASE IN MORTGAGE INTEREST RATES

Hon. Edward Broadbent (Oshawa): Mr. Speaker, once again, and I am sure not deliberately, the Minister has misinformed the House. I would point out to him that not only one bank has raised its rates but four banks in Canada have now done so.

When I asked the Minister about the Governor of the Bank of Canada's decision to increase the rate last week, the Minister said that he was confident that the increase in rates we are seeing at the present time was not going to be substantial. I say to the Minister that that increase in rates, which has been followed up by increases in mortgage rates, will mean that, over the term of a \$50,000 mortgage, the mortgage will cost a home owner \$10,000 more. That amount may not mean very much to the Minister, but it means an awful lot to an ordinary family.

Some Hon. Members: Hear, hear!

Mr. Broadbent: I would like to ask the Minister when is he going to realize that the disastrous, high interest rate policy of this Government and the preceding Conservative Government is causing harm to the Canadian economy. If he realizes that it is causing harm, why does he not tell Governor Bouey to go take a walk?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, my friend may have information which I do not have. At 1.45 this afternoon my information was that of the five major Canadian banks only one had increased its prime rate to 11.5 per cent. The other four banks have held the rate to 11 per cent. If my colleague has other information, I would be happy to receive it.

Regarding the specific question asked by the Hon. Member, I would like to tell him again that, indeed, no one likes to see interest rates rising. However, one must look at the alternative, and I invite my friend to reflect upon what the alternative would be. If the prime interest rate in the United States is at 11.5 per cent, how can we keep lower rates in Canada over an extended period of time? As far as I know, no one has found a sensible and responsible way of doing this as yet. Perhaps