

*Oral Questions*

## GOVERNMENT POLICY

**Hon. Edward Broadbent (Oshawa):** Mr. Speaker, the Minister says they do not expect any impact. If they do not expect any impact why did they go ahead and do it?

The Minister also notes that this incremental increase is really not that important. Two years ago we went through such incremental increases week after week and the Government did not do anything about it. Interest rates went right up to 22 per cent. That type of thing can happen. We in this Party want the Government to take action to stop it.

After interest rates went up for the fourth time a question was put to the Government which linked unemployment with increases in the interest rates. I will repeat that question to this Minister now. The question was: "—will the hon. gentleman tell the House whether the Government intends to abandon its policy of deliberately creating unemployment—" by pursuing these high interest rates? I would like to ask the Minister that again today.

[Translation]

**Hon. Marc Lalonde (Minister of Finance):** Mr. Speaker, the answer will be very short and very quick. It is exactly the same as the one I gave to the previous question. The Government policy is not to maintain high interest rates, but to keep them as low as possible. Our policy is to create as many jobs as fast as possible in Canada. It is not a policy such as the one advocated by the Hon. Member.

[English]

## EFFECT OF INTEREST RATES ON UNEMPLOYMENT

**Hon. Edward Broadbent (Oshawa):** Mr. Speaker, I would like to tell the Minister that that question came after the fourth interest rate increase that occurred in 1979. The interest rates were then raised by the Conservative Government of the day. The question came from the Hon. Member for Windsor West. The Minister's answer today was exactly the same answer that the Hon. Member for St. John's West gave a couple of years ago.

**Mr. Crosbie:** Think up your own answers, Marc.

**Mr. Deans:** It is because they both think alike that they give the same answers.

**Mr. Broadbent:** If it was true in 1979 that high interest rates increased unemployment when the Conservative Party was in government, will he please provide his wisdom to the people of Canada and tell us why unemployment will not worsen when a Liberal Government increases interest rates?

[Translation]

**Hon. Marc Lalonde (Minister of Finance):** Mr. Speaker, I answered that question several times last week. I suppose my hon. colleague was once again not in the House, and perhaps he could read *Hansard* from time to time. If he does, he will realize that I explained that in spite of the increase in interest

rates in Canada and the United States during the last few weeks, we should not necessarily conclude this will have a negative impact on employment and the growth rate of the Canadian economy any more than it does on the U.S. economy. In fact, although interest rates in the United States started to go up in January and February, the American economy's rate of growth was higher than it had been for many months. So there is no automatic and immediate connection between a slight increase in interest rates and slower growth and increased unemployment. Such a connection cannot possibly be established as directly and simplistically as the Hon. Member suggests. I may remind him that in Canada, in 1980 and 1981 for instance, interest rates rose rapidly, and for several months the Canadian economy continued its growth and unemployment continued to drop, despite the fact there had been an increase in interest rates.

The Government does not favour an increase in interest rates. Once again, our policy is to have the lowest possible interest rates, although I realize that people would prefer to have rates that are lower than those we have at the present time. However, I repeat that we cannot adopt the NDP's philosophy which boils down to saying: Stop the world, I want to get off. We are living in the real world, we are on the North American continent, and the Canadian and U.S. economies are extremely interdependent. To ignore this elementary fact is to be totally unrealistic, which is, I would say, rather typical of the NDP.

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[English]

## THE ECONOMY

## CONFERENCE BOARD OF CANADA FORECAST

**Hon. John C. Crosbie (St. John's West):** Mr. Speaker, my question is for the Minister of Finance. I would like to point out to the Leader of the New Democratic Party that the Minister of Finance faces the same problem I did. I faced 12 years of irresponsible Liberal Government wreckage of the economy. He faces 16 years of the same. That is why the interest rates are going up.

We have a very sombre forecast from the Conference Board today. It predicts a slowing in the pace of economic growth. It predicts just 3.3 per cent this year and .5 per cent for next year, with the possibility of a recession in 1985. It says the unemployment rate shows no improvement and in fact will be rising over the next few months. It says the most notable factor causing this outlook is the continuing high level of the interest rates.

● (1430)

The Minister has consistently downplayed the influence of high interest rates. When will he make the adjustments that he said last Monday he could make? When will the Minister start making those adjustments? When will the Minister bring in a