

pared to our unemployment level of 8.6 per cent, and in view of such totally unacceptable high unemployment?

**Mr. Chrétien:** Mr. Speaker, I received a recommendation from the governor of the Bank of Canada yesterday on this matter. We have discussed it, he made his recommendation and I did not disagree with it.

**Mr. Stevens:** Mr. Speaker, my question is directed again to the Minister of Finance. When the minister discussed this matter yesterday with the governor of the Bank of Canada, did the governor make it clear that the 10.75 per cent bank rate which we now have in this country means that we have the highest bank rate of any of the major industrialized western nations, certainly higher than Italy and Great Britain and higher than Germany, which is down to 3 per cent? If he made it clear, did he point out to the minister, also, that we have the highest unemployment of any of those nations?

● (1417)

If that was made clear, why did the minister not ask that the rate be kept to the historical ratio of one point above the American rate, instead of the current 1¼ points?

**Mr. Chrétien:** Mr. Speaker, we discussed it on Friday, Saturday and Sunday. We looked at all the implications of that. Of course, with the balance of payments deficit in Canada, we have no choice but to make sure that the bank prime rate in Canada is higher than that in the United States. It is the lowest spread in many years. Some years ago the prime rate in Canada was four points above that in the United States; now it is only three-quarters of a point.

#### REASON FOR INCREASE IN CANADA SAVINGS BONDS' INTEREST RATE

**Mr. Bill Clarke (Vancouver Quadra):** Mr. Speaker, my question is directed to the Minister of Finance. Is the new rate of 9.5 per cent assigned to Canada Savings Bonds today an attempt to spur the lagging sales which the government has been experiencing, caused by the public's lack of confidence in the financial policies of this government?

[Translation]

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, we had to revise the Canada Savings Bonds' interest rates to make these competitive with other instruments used on the Canadian market and that is why we decided to raise them by one quarter of one per cent this morning.

[English]

#### HIGH INTEREST COSTS—EFFECT ON EMPLOYMENT

**Mr. Bill Clarke (Vancouver Quadra):** Mr. Speaker, could the minister tell the House what remedies the government envisages to overcome the effects of high interest costs on the construction industry in Canada, which is an enormous

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employer? Also, what will the effects of that be on the unemployment rate in Canada?

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, of course we are aware that the increase in interest rates is causing some problems in the economy. We had to act because we had no choice, having a balance of payments in a deficit position in Canada.

I hope this situation will not last very long. If the Canadian and American dollar stabilizes, of course, eventually—perhaps in the short run—the interest rate could go down. We do not know as yet. We hope that showing responsibility will induce more confidence. There are various fluctuations upward and downward in interest rates and some day it will go down.

**Some hon. Members:** Some day.

**Mr. Clarke:** Mr. Speaker, since the effect of the interest rate increase is reflected by a shortage in the cash position of the government, can the minister say if the government will reconsider, now, the disposition of certain Crown corporations in order to give some relief to that situation?

**Mr. Chrétien:** Mr. Speaker, I think the comment of the hon. member, to the effect that it is difficult for the government to raise money, is not true at all. We have many ways to raise money.

**Mr. Stevens:** Which force up interest rates.

**Mr. Chrétien:** For example, our cash balances are very good and I am not worried on that score.

#### REQUEST HOUSE BE INFORMED OF REASONS FOR RAISING INTEREST RATES

**Mr. Bob Rae (Broadview):** Mr. Speaker, I also have some questions for the Minister of Finance arising out of the news on Sunday that the interest rate was increased to 10.75 per cent. In view of the fact that the result of this interest rate rise, inevitably, will be a restriction in growth, can the minister say when he decided to raise interest rates and if he had available to him any estimates of the effect that this rise would have on growth and industrial development? If he did, will he share those figures with the House?

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, I should like to make a slight correction: I did not raise the interest rate; the governor of the Bank of Canada has that responsibility.

**Some hon. Members:** Oh, oh!

**Mr. Chrétien:** That is the law of the land. I did not write this law.

**Mr. Stevens:** Did you object?

**Mr. Chrétien:** I have discussed that with him. I said just a minute ago that this will cause some problems. We hope this will not last forever. It is a problem we have to face because of