

government to a policy that is oriented toward fighting inflation by means of monetary policy as in the past and thereby contracting economic growth in this country?

Mr. Trudeau: Mr. Speaker, I think the hon. member will understand the reasons for the increase in the bank rate if he looks back at the figures, and sees the remarkably high rate of growth of the economy in the past quarter and if he sees also that the increase in general bank loans since the month of January has been 30 per cent compared with something like 22 per cent last year for the total year. It is because the economy has been expanding very strongly indeed that there is not a tight money policy but a moderation of the rate of growth of bank credit.

Mr. Lewis: I should like to ask the Prime Minister whether the government and the Department of Finance are convinced that this kind of blunt instrument will affect the situation in view of the fact that the larger corporations do not need loans because they can use their retained earnings, as they usually do, for their purposes and this increased interest rate will affect particularly small enterprise and the small businessmen in this country?

Mr. Trudeau: Mr. Speaker, we do not assume that that necessarily follows. As I said a moment ago, by having a dual system of prime rates, one for big business and one for small business or for areas of the country of slow growth, we are convinced that the banking system will do its best not to restrict funds to small businesses and to the areas of slow growth. But I repeat, I have no evidence of that yet since the system was only instituted a month or so ago and it is too early to see if it works. If it does not, we will certainly have to take other measures.

ALLEGED INCREASE IN SHORT-TERM BORROWING FROM
CANADIAN BANKS BY CORPORATIONS DOMICILED
ABROAD

Mr. James Gillies (Don Valley): Mr. Speaker, my question is for the Prime Minister in the absence of the Minister of Finance. Has the government any specific information regarding a great increase in the amount of short-term borrowing by corporations domiciled abroad from Canadian banks?

Right Hon. P. E. Trudeau (Prime Minister): I certainly do not have any at hand.

Mr. Gillies: Inasmuch as it has been suggested that one of the reasons for the pressure on Canadian commercial banks is the existence of large open lines of credit for companies domiciled abroad, is the government willing to look to the banks and ask if there is anything they can do to slow down that particular type of borrowing as it does not really do much for the Canadian economy?

Mr. Trudeau: It is because of this borrowing abroad that, in a sense, we do have to have an increase that does not put us too far out of line with the American increase in the bank rate. However, so far as the suggestion is concerned I will take it under advisement.

Oral Questions

Mr. Speaker: Order, please. There are obviously a number of supplementaries sought by the hon. member for Oshawa-Whitby, the hon. member for St. Catharines and others. The Chair will recognize the hon. member for Calgary North, then someone from the party to my right, and then return to this series of questions.

INCREASE IN INTEREST RATES—POLICIES TO ASSIST
THOSE ON SMALL INCOMES WISHING TO PURCHASE
HOMES

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, I should like to put a question to the Minister of State for Urban Affairs. In light of the Prime Minister's answer and in light of the fact we now have high interest rates, is the minister proposing any other policies to assist those on small incomes who wish to purchase houses and who live in large urban centres as the policies in Bill C-133 have been outdated or are in total conflict with the high interest policy enunciated by the Prime Minister today?

Hon. Ron Basford (Minister of State for Urban Affairs): Mr. Speaker, without accepting the hypothesis of the question, I would hope the House would give approval to the report stage and third reading of Bill C-133, the passage of which is eagerly sought by the provinces and those in the housing community and which will provide very real benefits for housing in this country. In addition, I could hope that either today or tomorrow the House would give second reading to Bill C-135 to establish a residential mortgage market corporation which will enhance the flow of money into residential mortgages and have an effect on interest rates.

Some hon. Members: Hear, hear!

Mr. Woolliams: I do not wish to have any argument with the minister, Mr. Speaker, but may I point out that I asked a particular question. I have already given the undertaking that our party will expedite the report stage and give third reading to the bill. We are in accord on that. My point is this: In light of the fact the government has now articulated and enunciated a high interest rate policy and in light of the fact the minister has promised on several occasions to produce houses at a reasonable cost, and since this is in total conflict with the policy of the rest of the government, is the minister going to seek a new portfolio or resign?

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● (1430)

[Translation]

INDIAN AFFAIRS

POSSIBLE CLOSING OF SAINT-MARC SCHOOL—
GOVERNMENT DECISION

Mr. Gérard Laprise (Abitibi): Mr. Speaker, I would like to address a question to the Minister of Indian Affairs and Northern Development.

Some time ago I directed a question to him concerning the possible closure of the Saint-Marc de Figuerly Indian school, and he had said that he would answer at a later