

*Oral Questions*

relationship between the total income of the individual and the proportion of that income that goes into home ownership payments. That is a well established principle that has been in operation for a long time.

If my hon. friend examines the situation, he will find that because of rising incomes—quite apart from changes in capital appreciation or net worth—if he examines rising incomes, he will find that a very high proportion of home owners renegotiating their mortgages are in as good or better position to bear that ratio as they were when they initially took out the mortgages. That is a fact.

## EFFECT OF GOVERNMENT POLICY ON MORTGAGE MARKET

**Mr. Doug Lewis (Simcoe North):** I wish to ask a supplementary question, Madam Speaker. There are hundreds of thousands of Canadians who are trying to understand what the Minister of Finance just obfuscated. Since the mid-1960s the standard term for a mortgage has been five years. We now have one and two-year mortgages, and there is some talk even of six-month mortgages. The Liberal party's high interest policy has created this period of instability. I want to ask the Minister of Finance if he is not concerned that the lack of action on the part of his department and the government has created an instability in the mortgage market in Canada?

**Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance):** Madam Speaker, I have a good many concerns and one of those concerns is obviously the impact of the very high interest rates on home owners and other groups in the community. My overriding concern is the very strong inflation that we are experiencing at the present time in Canada and my corollary that the present interest rates are absolutely essential if we are going to make any possible headway against inflation. That is the simple proposition that has to be admitted.

If hon. members ask me, as they are doing, either to protect every group in the country by new spending, or many groups in the country by new spending, or by taking a deliberate action to lower interest rates in current circumstances, they are asking me to do something that I will not do, namely, to take steps that would add further to inflation in the long term. They are saying, "lower it now," and I am telling them that if I did that they would get it in spades in the long term.

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## FINANCE

## REQUEST FOR INTRODUCTION OF COST OF LIVING TAX CREDIT

**Mr. Bob Rae (Broadview-Greenwood):** Madam Speaker, we have had it in clubs from the minister today. Four months ago he was blaming the Americans, something he has done again today, and last week he was blaming the Canadian worker for the kind of inflation we have been suffering. Instead of blaming the Canadian worker whose wages have fallen behind the rise in the cost of living in the past four years, and in view of

the effect this has on people on fixed incomes or pensions, why does the minister continue to reject a cost of living tax credit which is not a blanket subsidy but would be a method of using the tax system to provide the kind of protection and help that those Canadians trying to keep up with increases in the cost of living so desperately need, and which would focus that assistance on people who need it most?

**Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance):** Madam Speaker, I want to correct the hon. member and tell him that I have not at any time blamed the Canadian worker for the current inflationary circumstances. I attempted to mention, in a speech in Toronto, how inflationary expectations in the current strong inflationary environment have fed through into wage settlements which, in my view, will lead in the long term to no benefit for individual workers, or for the economy. That is what I have been saying. If the hon. member can show how I am wrong on that, I would be glad to hear him.

The hon. member is asking me to provide protection through a tax credit for a special group in the community. That is what he is doing. He is not arguing that it is costless. He is not saying that it will not cost the treasury anything. It is obviously going to cost money. It is going to add to spending. It is going to add to the deficit or add to higher taxes, both of which, in these circumstances, would be unacceptable as far as I am concerned.

## ALTERNATIVE POLICY TO FIGHT INFLATION

**Mr. Bob Rae (Broadview-Greenwood):** Madam Speaker, the minister's commitment to social Darwinism would be quaint were its effect on the average Canadian not so devastating. If he sticks around tomorrow and Thursday, he will hear from us how the economy can afford to pay for a cost of living tax credit by putting taxes on the banks and taxing our largest corporations at a rate which the average taxpayer also pays. The money is there if the minister is prepared to find it.

My supplementary question to the minister is this, Madam Speaker. When the Bank of Canada started its policy of gradualism in 1975, we had an inflation rate of 10 per cent and an interest rate of 9.75 per cent. Now we have inflation running at an annual rate of nearly 14 per cent and interest rates running at 20 per cent. By what empirical test does the minister have to be convinced that the policy which the bank has been following, on his instructions and on the instructions of the hon. member for St. John's West—under what conditions does the minister have to say that this policy clearly is not working and we have to find an alternative that will have the effect of reducing inflation without killing the Canadian economy and without hurting the average Canadian?

**Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance):** Madam Speaker, on the first point, the hon. member has talked about his suggestion that we tax the banks and corporate industry in the country more heavily. In my budget I introduced a number of very important taxes on