

Interest Rate Policy

possibility of an outflow of capital. We in this party have considered that question, just as governments in western Europe have considered it in the past and as two different governments of the United States not only considered it but dealt with it in recent history. If necessary, and I underline those words, if there is to be an outflow of capital which causes problems, we can learn for once from some of the positive actions taken in the United States.

We should look at the experience of President Kennedy in the early sixties and his successor, Richard Nixon, in the seventies. Both presidents were confronted with the problem of an outflow of capital. What did they do? Did they bring in some extreme, radical, totally unheard of idea? Not at all. In both cases the then American president put on, on a temporary basis, a negative taxation to discourage the outflow of capital from the United States. I stress that it was temporary, to deal with a particular problem. I stress that under present circumstances, given the ravages that high interest rates are having on the Canadian economy, it is time we considered such a measure in Canada in order to bring down interest rates. I hope the government will have the intellectual integrity to reply that instead of ignoring it.

I now want to go to another specific aspect of the interest rate policy that we think could be effective and which was not dealt with by the Prime Minister today in response to questions on housing. We did not raise today, although it is appropriate in a different context, the question of an excessive profits tax on banks. We did not consider a second alternative to which the Prime Minister alluded today. We did not mention, and I repeat here with emphasis, the necessity to force the banks of Canada to not simply live up to profit maximization. They are private sector institutions and, of course, they have to make profits. We in this party believe that the banking system has social obligations as well as the right to make profits, and it is up to the Bank of Canada to make sure the banks live up to those social obligations.

● (1540)

Some hon. Members: Hear, hear!

Mr. Broadbent: Therefore, we say that when we have a situation in which Canadians are selling their homes off at the rate of 1,000 a month because they cannot renew their mortgages, and in view of the current prices of houses vis-à-vis incomes, leaving 90 per cent of Canadians—not simply the poor, though that is bad enough—for the first time in my lifetime as an adult beyond the pale when it comes to being able to purchase a house, then something ought to be done with the banking system, especially when the profits of the banks are at the kind of levels I have already indicated.

What do we say—and I want the government to reply to this? We say that, in addition to forcing through the Bank of Canada a reduction in the general level of the interest rate, categories for lending money ought to be imposed directly on the banking system, and one category should be that of home ownership. We say it may be fine for the banks to reap substantial profits on genuine luxury goods, but we also say in

this party that a home is not a luxury good but a necessity, and the banks are not entitled to reap fantastic profits off the backs of home owners in Canada.

Some hon. Members: Hear, hear!

Mr. Broadbent: In this context we say very directly that the Bank Act should be changed. The banks should be forced to have a special lower interest rate for mortgages, because mortgages are simply a form of interest. That rate should be adjusted to enable the average family to obtain a mortgage to buy a house in Canada. Let the profits be made in other sectors, and let the banks use some of their excess profits made in 1977, 1978, 1979, 1980 and 1981 to enable more Canadians to buy their own homes.

I want to conclude by raising and then answering this question. In our judgment, something can and ought to be done about shifting the monetary policy of the government. I have indicated what that should be in terms of a general lowering of the interest rate. Something can and ought to be done about a specific act we have talked about today, and my colleagues will talk about other items.

I want to ask through you, Mr. Speaker, why the government is not doing this? I want to suggest that the reason it is not acting is that the banks are in fact the government's friends. The banks represent, as no other institution in Canadian society, the traditional Liberal view of profit maximization, and it is only with the most extreme reluctance that the government will ever move against such a powerful vested interest. It would almost take a depression before it would move.

We in the social democratic movement do not take that approach at all. We do not wait for disaster to inflict itself upon the people of Canada. We do not regard the banks or any other institution as sacrosanct. We believe the common good to be sacrosanct. Therefore, I say that the Government of Canada is not taking the action it ought to take on interest rates, because that would impinge upon the profits of the banks, and because changing the Bank Act would impinge upon the power of the banks to make their own decisions.

This really is a matter of social philosophy. We in this party believe the Government of Canada should be acting in the interests of the people of Canada, not in the interests of the banks of Canada. We in this party are going to continue day after day to pressure the Prime Minister and the government on the other side of the House finally to live up to the commitment made in the throne speech last year to act for those who are negatively affected by the high interest rate policy of the Government of Canada. We are going to continue to put pressure on the government until it finally abolishes the high interest rate policy which is doing untold damage to the people of this country, wherever they live.

Some hon. Members: Hear, hear!

Mr. Harvie Andre (Calgary Centre): Mr. Speaker, we in this party certainly join with the NDP, to use the words of