

Oral Questions

this House has examined the question of high interest rates and high inflation in the abstract for some time. Therefore, I shall deal with a concrete example, if I may.

A wage earner faced with the higher costs of food, clothing and shelter, the basics of life, is driven to asking his employer for an increase in wages. The employer, who has those same increases at home, plus the increase in the cost of business and high bank interest rates, has to come up with an answer. The only thing he can do is to raise the price of his goods and services rendered. Does the Prime Minister not feel that this fuels the inflationary spiral?

Right Hon. P. E. Trudeau (Prime Minister): Madam Speaker, that is always how the economic system works. If one is a worker, one tends to keep equal at least with the increase in the cost of living plus participate in the success of the enterprise. If one is the employer, one charges higher prices if one's costs increase. This is the way the system has always worked.

GOVERNMENT ACTION

Mr. Doug Lewis (Simcoe North): Madam Speaker, if the government acknowledges that it knows how the system works, and if the government acknowledges it has high interest rates and high inflation, what is the government doing to break this cycle? When can we get Canada off this merry-go-around of higher inflation and higher bank interest rates?

Miss MacDonald: The rate is over 19 per cent.

Right Hon. P. E. Trudeau (Prime Minister): Madam Speaker, what tends to happen in times of increasing inflation is that people's expectations sometimes tend to anticipate even higher inflation. Rather than asking for normal and fair compensation either for their costs or for their efforts, they tend to anticipate and increase the prices of their goods more than is justified by normal profits, or they increase the price of their services by more than is justified by a normal increase. That is the explanation of the psychological drive behind inflationary expectations. But the hon. member knows, as well as I do, that is the way the system works. What we must do is to prevent the anticipation of inflationary expectations and to try to keep both prices and services at normal increase levels rather than anticipating high inflation.

EXTENSION SOUGHT OF SMALL BUSINESS DEVELOPMENT BOND CONCEPT

Mr. Doug Lewis (Simcoe North): Madam Speaker, it seems to me and to the House that all we are doing is fuelling the spiral and not coming up with anything to break it.

In view of the fact that the bank rate today burst through the 19 per cent ceiling, I ask the Prime Minister whether his government will consider taking the mechanism of the small business development bond one step further—which is in place and is there—to businesses which have traditionally used bank credit, and have bank loans in place but cannot do anything

about it. Would he investigate extending it to all bank credit presently in existence?

Right Hon. P. E. Trudeau (Prime Minister): Madam Speaker, that is not possible for the reason indicated many times by the finance minister.

An hon. Member: Where is he?

Miss MacDonald: Who is he?

Mr. Trudeau: The small bond arrangement is one for a particular sector of the community. It is an expensive one. If the hon. member wants it to be extended to all people using credit, he will be going against the guidelines proposed by his own party and by the spokesmen in his party on economic matters, that is, to keep expenditures down. I do not believe the hon. member would advocate that.

Mr. Clark: What about Petrofina?

Mr. Hnatyshyn: They do it in Gabon.

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● (1420)

CANADA MORTGAGE AND HOUSING CORPORATION

PROVISION OF ASSISTANCE TO PEOPLE IN NEED

Mr. Bill Clarke (Vancouver Quadra): Madam Speaker, I would like to direct a question to the Minister of Public Works in his capacity of being responsible for Canada Mortgage and Housing. In the meeting earlier this week with members of Parliament from British Columbia and officials of the Canada Mortgage and Housing Corporation the minister referred to more social housing by the government which might overcome the problems created by his government's fiscal and monetary policies, which include today's new record high Bank of Canada rate of 19.06 per cent.

Government housing, before all of the disastrous subsidies which are offered are taken into account, actually costs Canadians more than that provided by industry. The minister must realize that, and also that the real shortage is of money in the hands of those needing shelter. What will his government do or offer to those in need of housing assistance to replace the Clark government proposals, such as mortgage interest deductibility, which his government defeated in 1979, aided and abetted by the New Democratic Party?

Hon. Paul J. Cosgrove (Minister of Public Works): Madam Speaker, speaking of the Clark administration and Clark proposal during its nine-month government period, on previous occasions I have, of course, made reference to the report on privatization ordered by the previous government. The one thing that we have done, as a government, is to reject the privatization of CMHC, and reject the advice offered to the previous government which was almost a complete withdrawal and complete abdication of any role for CMHC in the area of social housing. On the contrary, what we have done is to use