

*Supply*

produce one. The life insurance industry has been trying to get the information for three months, and I have not received a reply to my letter of March 1. The minister cannot produce a typical life insurance policy, and that is only one of the many things that was completely false about the budget.

The area in and around Trenton, Nova Scotia, has approximately 25,000 people, one thousand of whom are unemployed because the Minister of Finance refuses to help. It is not a Liberal riding. The car works at Trenton has been there for 70 or 80 years, but the minister does not understand its importance.

The Minister of Public Works (Mr. Cosgrove) has said that he will help people who have to renew their mortgages. He is not going to help very many but he is going to provide some help. He is going to provide some help to the rental construction industry, but not much help. He is going to provide some help to those who are renovating homes, but not much help. It is interesting that he is not going to provide any help for first time home owners. How can someone who is going to purchase a home for the first time, and perhaps just qualifies for a mortgage at 18 or 19 per cent, also face the uncertainty of a variable interest rate mortgage? Surely the minister understands that the average person cannot face that situation. That is why very few people can purchase a home for the first time. It is a sad fact that the Minister of Public Works never addressed the problems of high interest rates and unemployment.

• (1720)

Turning to the housing industry, the average starts for 1982 will amount to approximately 160,000 units. This is down from 178,000 last year or a decline of 10 per cent, which in terms of jobs represents 35,600 lost jobs. Yet the Minister of Public Works says that he is helping the unemployment situation in Canada. We know that 210,000 housing starts are needed, but it is estimated that only 160,000 units will be built. This difference of 50,000 units translates into 100,000 lost jobs, yet the minister is saying that he is helping the unemployment situation with Bill C-89. Unfortunately those 100,000 lost jobs translate into \$2 billion in lost income to the economy, or to put it another way, \$400 million of lost government revenues.

The government does not understand what is going on. Productivity in Canada has gone down. Now it takes approximately 286,000 more people to produce the same goods and services which were produced in Canada last year. In 1976 when the government revised its monetary policy, on an annual basis 113,000 less homes were built in Canada, which translated into 223,000 jobs.

Is it any wonder that there is high unemployment? It is because of the insensitiveness of government. We have heard an answer to unemployment and high interest rates from the Minister of Energy, Mines and Resources (Mr. Lalonde). At present 350,000 barrels of oil per day are shut in in western Canada. This translates into tens of thousands of lost jobs or \$1 billion worth of equipment which has left the country. The Liberals can laugh at these facts because they do not have any

members out west. Approximately 40 cents of every dollar spent on energy in western Canada ends up in Ontario and in Quebec. We are paying the price. Canadians are paying 24 cents more per gallon for gasoline at the pump than they should be paying because of the policies of the Liberal government.

Now I should like to turn to the area of high interest rates. We have high interest rates in the country because of the policies of the Bank of Canada and the fiscal policies of the federal government. We should not let the NDP fool us; the policies of the Bank of Canada are dictated by the government. The deputy minister of the Department of Finance sits on the executive committee which decides the monetary policy. The Bank of Canada is not an independent body. Moreover, the NDP would like us to think that the banks are responsible for interest rates. But we must remember that the banks have no authority to raise or lower interest rates without the approval of the Bank of Canada. If they dare to raise or lower interest rates or lower interest rates without the agreement of the Bank of Canada, the Bank of Canada can step in and withdraw funds from the banking system.

**Mr. Evans:** Nonsense!

**Mr. Wright:** I hear the hon. member for Ottawa Centre (Mr. Evans); it is not nonsense.

**Mr. Evans:** The Bank of Canada does not dictate to chartered banks.

**Mr. Wright:** The Bank of Canada can sell bonds to the banks, which it does every day, withdraw money out of the system and put it into the Bank of Canada. This is done all the time. It is done to smooth fluctuation in the value of the dollar and in the rate of interest. The Bank of Canada is one of the biggest participants in the Canadian money market. It was a passive investor until 1975. Now it is an active investor in the market and it initiates the market. It no longer responds to bids and offers by investment dealers. It is dictating to the market, and let no one think otherwise.

We have high interest rates in the country because over the last two years there has been a dramatic outflow of long-term capital. In 1981 it approximated \$10 billion and in 1980 it was \$8 billion. This capital was replaced by short-term foreign capital. In order to attract short-term foreign capital, interest rates must be raised above what they are in other countries. Basically that was the problem. Short-term interest rates are high in Canada. Sometimes they are higher than long-term rates, but the point is that we cannot drop our interest rates because of the policies of government. The government said that it would discourage investment in Canada, and it has. Canadian and American companies have left Canada to go to the United States and to Australia. Unless we change those policies, we cannot lower interest rates.

The Bank of Canada uses money supply, what we call M-1, to indicate whether or not the supply of money in Canada is increasing at a favourable or at an unfavourable rate. Many economists and specialists have said that the bank does not