

Oral Questions

Right Hon. P. E. Trudeau (Prime Minister): At this time, Mr. Speaker, I have no announcement to make in this regard.

[*Translation*]

Mr. Speaker: Does the hon. member for Portneuf wish to put a supplementary?

Mr. Roland Godin (Portneuf): No, Mr. Speaker.

Mr. Speaker: The hon. member for Shefford.

INCREASE IN BANK INTEREST RATES—REQUEST FOR
GOVERNMENT INTERVENTION

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I should like to direct a further supplementary to the Minister of Finance.

Can he tell us to what level he intends to let the bank interest rate rise before taking steps to be implemented by the Bank of Canada?

Hon. John N. Turner (Minister of Finance): Mr. Speaker, I cannot answer the question of the hon. member asked in these terms.

[*English*]

INFLATION—POSSIBILITY OF IMPLEMENTATION OF
GOVERNMENT CONTINGENCY PLAN—STEPS TO
STIMULATE PRODUCTION

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, I have a question for the right hon. Prime Minister. As the program which the right hon. gentleman introduced last week contained no provisions for dealing with the basic causes of inflation but simply introduced measures to allow certain Canadians more easily to pay the higher prices brought about by inflation, does the government consider now that inflation has reached a sufficiently high point to justify bringing in the contingency plan which for many, many months the government has announced to the House it has ready for dealing with inflation when it reaches a sufficiently high point?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, because I cannot agree with the premises of the question, the short answer is no. The hon. member should realize that, contrary to what he stated in the premise, we are dealing with the causes of inflation—

Some hon. Members: Oh, oh!

Mr. Trudeau: —when we are dealing with the question of supply. The cause of inflation, in the view of the government and in the view of analysts, is shortage of supply. For that reason the measures we have announced in July, August and September are meant to deal with this aspect of the problem.

Mr. Hees: As the Prime Minister has announced that the basic cause of inflation is shortage of supply, would he advise the House now what steps the government has taken to stimulate production in many or in all of the lines where production is short and prices have been rising very

[Mr. Lewis.]

rapidly, as all prices in Canada recently have been rising very rapidly indeed?

Mr. Speaker: Order, please. I wonder if the hon. member would not agree with me that the question he is asking now is very wide in scope and that he is inviting either the Prime Minister or the minister to make a statement which normally ought to be made on motions.

Mr. Hees: Would the Prime Minister take the first opportunity on motions to advise the House what steps the government has taken to stimulate production in the lines where prices have been rising at exorbitant rates in the past few weeks and months?

Mr. Trudeau: Mr. Speaker, I think it would be sufficient if I were to send the hon. member a copy of my statements of August and September. He would then see that an important aspect of those announcements is the aspect of supply. I am not surprised that it has escaped the hon. member's attention, Mr. Speaker, when a spokesman for the Conservative party has just rejected a moment ago our approach of subsidizing the milk consumer at the same time as we are permitting the producer through the marketing board in his province to settle the problem of supply to his satisfaction.

Some hon. Members: Oh, oh!

Some hon. Members: Hear, hear!

Mr. Hees: I have read all your statements very carefully and there is nothing in them indicating that the government intends to stimulate production in any of the fields seriously affected by inflation.

Mr. Speaker: Order, please.

INFLATION—INCREASE IN MONEY SUPPLY AS FACTOR

Mr. James Gillies (Don Valley): Mr. Speaker, my question is for the Minister of Finance. Would the minister please explain to the House why the government is continuing to increase the money supply while it increases the rate of interest seeing that no one anywhere, except apparently the government, thinks it is a positive anti-inflation measure?

Hon. John N. Turner (Minister of Finance): Mr. Speaker, the interest rates changes, the raising of the prime rate of the banks and the bank rate by the Bank of Canada reflect two phenomena. The first is an extremely strong expansion of credit in the country resulting from expansion in the economy and the second is a widening of the gap between interest rates in Canada and those in the United States and Europe. Because of those two forces, short-term rates in Canada could not be restrained because money was flowing out of the country seeking a better return elsewhere and restricting the capital market in the country, and of course there was pressure on the exchange.

Mr. Speaker: Order, please. The Chair will recognize the hon. member for Don Valley on a supplementary followed by the hon. member for Oshawa-Whitby.