

Oral Questions

ORAL QUESTION PERIOD

[English]

THE CANADIAN ECONOMY

COST OF LIVING INCREASE—STEPS TO HALT ESCALATION—INTENTION RESPECTING MORTGAGE INTEREST RATES IN LIGHT OF INCREASES IN BANK RATES

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, my question is directed to the Minister of Finance. In view of the increase in the cost of living reported by Statistics Canada this morning, which is over 7 per cent above May a year ago and is also reported to be the biggest increase in May over April in any year in the last 25 years, I should like to ask the minister whether the government has decided to take any immediate initiatives to halt this escalation in the cost of living?

Hon. John N. Turner (Minister of Finance): Mr. Speaker, I have looked at the figures and they cause the government, of course, continuing concern. We still rely on our analysis that it is primarily a commodity situation and, as a matter of fact, about one-third of the increase in May over April is directly attributable to the rise in the sales tax in the province of Ontario.

Some hon. Members: Oh, oh!

An hon. Member: Come on, now!

Some hon. Members: Shame!

Mr. Stanfield: In view of the fact that when you eliminate anything the minister may be able to attribute to the increase in the sales tax in Ontario the increase in May over April is the biggest increase in May over April in any year in the last 25 years, is the minister prepared to take any initiatives? I want to get through to my hon. friend. When you eliminate any possible effect of the increased sales tax in Ontario this is still the biggest increase in the cost of living in May over April of any year in the past 25 years. I should like to ask the minister whether he will at least interview the Prime Minister to see whether he can get the attack on inflation moved up to a higher priority than it was placed in the confidential document that was leaked which indicated that it was in seventh or eighth position?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, I am afraid I cannot agree with the hon. gentleman. If one were to eliminate the sales tax increase in Ontario the figures would not have been the same.

Mr. Hees: He did not say that.

An hon. Member: That is a specious argument.

Mr. Turner (Ottawa-Carleton): I can recall the hon. gentleman and his two other financial critics, the hon. member for Edmonton West and the hon. member for Don Valley, calling for a deficit twice as large as we called for in the budget because they underestimated the expansion in this particular area.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Speaker: Order, please. Obviously we are going to have somewhat of a debate and it should be carried out in an orderly fashion. The Leader of the Opposition now has the floor for a supplementary question.

Mr. Stanfield: Mr. Speaker, of course the Minister of Finance might begin by answering the questions directed to him.

Mr. Hees: It would be quite a change and a great refresher.

Mr. Stanfield: Since he will not do anything with regard to inflation generally, I should like to ask him whether he proposes to allow the increase in the bank rate which was announced over the weekend and in the banks' prime rate announced yesterday to work their way inevitably through the whole interest structure, including the rates of interest on mortgages which will affect new home owners? Does the minister intend just to let this happen or has he any proposal in this connection?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, the rise in interest rates is in response not only to an international situation, as was interjected by an hon. member, but also to a remarkably strong expansion of the economy which has been expanding in real terms over the past six months at 11.6 per cent and which has produced the biggest increase in jobs, May over May, 497,000 new jobs, the largest increase in the history of this country.

● (1420)

COST OF LIVING INCREASE—INTENTION RESPECTING NATURE OF CANADIAN DOLLAR FLOAT

Mr. David Lewis (York South): Mr. Speaker, in connection with the increase in the cost of living may I ask the Minister of Finance whether he and the Bank of Canada intend to keep our floating dollar at a dirty float so as to retain Canada's dollar at the same level as the United States dollar in view of the fact that when that happens imports into Canada—vegetables, fruits and other things—are naturally higher in price than they would be if the dollar were allowed to float? I therefore ask him whether it is his intention to remove the dirt from the float and have a genuinely floating rate for the Canadian dollar.

Hon. John N. Turner (Minister of Finance): Mr. Speaker, I do not think the hon. gentleman has been looking at the exchange figures with the calm analysis that they dictate. The governor of the bank, as the agent of the government, through the exchange fund is allowing market forces to dictate the level of our exchange, and intervention is limited to maintaining an orderly market on both sides of the exchange. If the hon. gentleman looks at the figures since we have had this float, and particularly since the two devaluations of the American dollar, he will find that to be true. Our exchange and reserve figures reflect the fact that interventions merely for an orderly market have been on both sides of the market.

Mr. Lewis: Without accepting what the minister has said, does the minister suggest, therefore, that the fact that the Canadian dollar is almost at par with the Ameri-