

Inquiries of the Ministry

country into his confidence and explain the reasons for the increase in the interest rate?

Hon. W. E. Harris (Minister of Finance): Mr. Speaker, I think I can explain the reason for the increase in the interest rate very briefly. The interest rate of the Bank of Canada, commonly known as the bank rate, is of course just another interest rate. It is the interest rate at which the central bank will loan money to certain institutions, and that rate has to bear some reasonable relation to other interest rates.

It happens that the rates of all the central banks, at least that of the United States, the United Kingdom and other countries, have been raised substantially in the past 12 months. Our bank rate did not keep pace in the sense of matching the increase, but it nevertheless had to be increased from time to time for the same reasons as the other countries increased theirs. My recollection is that in the United States the bank rate has gone up four times in the past 12 months; I think ours has gone up just four times. In the United Kingdom the bank rate is already over 5 per cent, as compared with our 3 per cent.

This is all public knowledge. The reasons for it are as have been given, that we cannot maintain an artificially low interest rate for the central bank when other interest rates with which there must be competition are rising, and correspondingly the Bank of Canada does change its rates from time to time for that reason.

Mr. Macdonnell: I should like to ask a supplementary question. Has not the bank rate primarily to do with our local conditions, and does that mean that the government believes there is a serious threat of inflation?

Mr. Harris: The bank rate cannot possibly be fixed solely with regard to our local conditions, unless you think in terms of our local conditions being divorced from world trade. Naturally, our affairs in Canada are affected by the affairs of other countries, and that will bring a reaction on our trade and our demand for credit. When that demand does exceed certain available supplies, the bank rate will naturally go up, and that without regard necessarily to local conditions. Nevertheless, I think the hon. member knows, and I think all the members of the house know, that there is such a demand for money in Canada at the moment that interest rates are rising and are bound to rise.

Mr. H. R. Argue (Assiniboia): Might I ask a supplementary question? Was the increase in the central bank rate not a deliberate

policy to encourage a general rise in interest rates in Canada, as is now taking place with the chartered bank rate?

Mr. Harris: I think the hon. member for Assiniboia was trying to make a speech, and I doubt very much if he expects or really believes that any servant of the government of Canada would take an attitude such as he describes.

Mr. Argue: Is it a matter of government policy to have the central bank interest rate increased in order to generally raise interest rates in this country?

[Later:]

On the orders of the day:

Mr. Argue: I wonder if I might ask my question in a different form? Is the recent increase in the interest rate charged by chartered banks not a direct result of the move by the central bank to increase its rate?

Mr. Harris: Mr. Speaker, except for the limitation in the Bank Act with respect to the rate of interest beyond which the banks cannot lend money, the government of Canada has no control over what they do with respect to interest rates.

Mr. Argue: You forced them to increase their interest rates.

[Later:]

On the orders of the day:

Mr. M. J. Coldwell (Rosetown-Biggan): Did I understand the Minister of Finance to say that the government of Canada exercises no control over the financial system of the country? I thought the central bank was established for that purpose.

Mr. Harris: What I said was that we do not control the borrowing rate that the banks set for their customers except in so far as we put an upper limit on it in the Bank Act. That, I thought, was an answer to the question asked by the hon. member for Assiniboia.

CANADA EVIDENCE ACT

SUGGESTED USE OF MICROPHOTOGRAPHIC FILM AS PROOF OF RECORDS

On the orders of the day:

Mr. G. K. Fraser (Peterborough): I should like to direct a question to the Minister of Justice. Has any consideration been given to amending the Canada Evidence Act so that microphotographic film would be taken as proof of records of municipal governments?

Hon. Stuart S. Garson (Minister of Justice): Since my hon. friend did not give me notice of this question and since it deals with a matter of detail, I shall take his question as notice.

[Mr. Macdonnell.]