

and the Government of Canada, under the auspices of my colleague, the Minister for Regional and Economic Expansion, about the co-ordination of development activities generally on the part of our two Governments to ensure that the programs of one are coherent with those of the other. If it is the question of the mechanisms by which that co-ordination takes place, it might be best if the Hon. Member directed that question to my colleague.

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● (1150)

## THE ECONOMY

### HIGH INTEREST RATES—POLICY INQUIRY

**Mr. Doug Lewis (Simcoe North):** Madam Speaker, I believe if the Minister would check his documents he might find it was the summer of 1983 document, not February of 1983.

My question is directed to the Minister of Finance. The same Government documents confirm that high interest rates impact upon consumer and business confidence, consumption, and capital spending in the housing industry. Why was it that during the recession the Liberal Party adopted a policy to induce high interest rates?

[Translation]

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, the Government did not adopt a policy during the last recession. My honourable friend is mistaken.

[English]

**Mr. Lewis:** The "Economic Development Perspective" says high interest rates have been policy-induced.

### CAPITAL FOR SMALL BUSINESS

**Mr. Doug Lewis (Simcoe North):** Madam Speaker, I would like to go on and, using the same document, ask the Minister of Finance another question. The report goes on to state that one of the major constraints to growth as the economy moves out of the recession will be the availability of capital on favourable terms. What specific action is the Government taking to guarantee capital to small business, to farmers especially, on favourable terms?

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, my hon. friend should read the document carefully and realize that indeed the high interest rates resulted from the situation determined and guided by United States policy. The Hon. Member knows that. This is recognized all around the world. This has been the subject of discussions at the International Monetary Fund meetings, at the World Bank meetings, at the Williamsburg summit and, as a matter of fact, at the summit at Montebello last year. My hon. friend will remember that this very issue of high interest rates in the United States

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was discussed extensively because it was creating ripple effects around the world, including in Canada.

As far as the second part of the question is concerned, I remind my hon. friend again that in the last budget I provided about \$2.4 billion of incentives to the private sector, particularly small business. These measures which were contained in the budget had a bias in favour of small business, whether in the area of research and development or in the area of general financing.

I remind the Hon. Member also that we have a program of small business loans. My hon. friend may not know that the majority of these small business loans, as a matter of fact, go to farmers. So we have a program therefore under small business loans which is available to farmers as well as to small business, which has met with great success.

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## INCOME TAX

### FEDERAL COURT RULING ON DEDUCTION OF FARM LOSSES

**Mr. Charles Mayer (Portage-Marquette):** Madam Speaker, my question is directed to the Minister of National Revenue. The Minister will know that this week the Federal Court has ruled that a farmer can deduct farm losses against income earned off the farm. This court case came about as a result of the insidious way some of the Minister's bureaucrats have been interpreting Section 31 of the Income Tax Act. Would the Minister be prepared to treat this case as a precedent-setting case, and instruct his Department to interpret that section of the Act in line with the way the Federal Court has just ruled?

[Translation]

**Hon. Pierre Bussières (Minister of National Revenue):** Madam Speaker, very recently, yesterday in fact, we received the judgment in the case of Graham vs the Crown. Obviously, before drawing any conclusions with respect to policy or the Department's administrative practices, we shall have to make an in-depth study within the Department of this judgment and also consult with officials of the Department of Justice, to find out the scope of the judgment and what repercussions it might have on the policies referred to by the Hon. Member and on administrative practice as it relates to Section 31 of the Income Tax Act.

[English]

### DEPARTMENT'S TREATMENT OF FARMERS

**Mr. Charles Mayer (Portage-Marquette):** Madam Speaker, I thank the Minister for that answer. However, surely the very least we could expect is that in the meantime, when the Department is carrying out a re-evaluation and looking at the "ambit", to use the Minister's word, the Minister would be prepared to instruct his Department to cease from prosecuting and collecting money in the very insidious way his Department is interpreting those rules. Will the Minister instruct his