Mr. Turner (Ottawa-Carleton): We abolished the sales tax on all children's clothing and on all food and drink except alcohol. We reduced tariffs in a temporary way on $1,400 million worth of goods to increase supply and encourage the competitive factors in the economy. We increased equalization payments by $190 million to allow the so-called have-not provinces to redistribute a greater amount in property taxes for school purposes back to their own citizens.

Some hon. Members: Hear, hear!

Mr. Turner (Ottawa-Carleton): We implemented full indexing of old age security payments and guaranteed income supplement to compensate pensioners and those on fixed incomes against the rise in the cost of living. We escalated that index. We liberated the Canada Pension Plan from the 2 per cent limit and we are proposing that this, too, be indexed. A number of provinces are considering increasing social assistance payments which are shared 50-50 with the federal government under the Canada Assistance Plan to offset the impact of inflation. We reduced the tax burden on manufacturers and processors and tried to help them modify prices. We set up the Food Prices Review Board.

Some hon. Members: Oh!

Mr. Turner (Ottawa-Carleton): We imposed temporary export controls on cattle, hogs, beef, pork and a number of feed grains to prevent world-wide export demand causing shortages and sharp rises in prices in Canada. We proposed an increase in family allowances to $20 a month, beginning in 1974, and we have just instituted on a temporary basis for three months, non-taxable interim payments of $12 per child. We instituted a policy of subsidies to militate against the rise in the price of bread and, with the co-operation of the provinces, against the rise in the price of milk. We eliminated capital gains tax from the family farm to ensure that people remain on the farm and that we encourage agriculture.

● (1630)

I could go on with this catalogue, and I understand how unpallatable it is for members of the opposition; but when the reckoning is made the Canadian people will consider each one of these items as a legitimate step in the fight against inflation. I submit to Your Honour that, taken together, all these several measures adopted over the past several months, and I have not been able to list them all, add up to one of the most intensive and far-ranging programs—I was going to say "comprehensive", but the hon. gentleman has diluted the significance of that term beyond recognition—to deal in a workable and realistic way with the kind of inflation we are now experiencing and in moderating its effects upon Canadians.

The hon. gentleman brought into the terms of his motion the rise in the bank rate and the rise in the prime rate by the chartered banks of this country. I believe that most members have a copy of the release of the governor of the bank published last night in which he said that the action was made necessary by the pressure of financial markets, which has led to further increases in short-term interest rates, including those which were announced yesterday by the chartered banks. In his release he says that the upward pressure on short-term interest rates came not only, as I said earlier in the House, from the strong demand for credit in Canada, but also from the much higher levels of short-term interest rates in many other countries. This meant that this differential in rates, particularly in the short term, tended to generate international flows of funds which were adding to the pressure of demand on domestic markets and in the foreign exchange markets. The Governor emphasized, and I repeat, that the policy of the Bank of Canada continues to be directed toward moderating the unusually rapid growth in bank credit and money in Canada while still leaving scope for money growth adequate for continued expansion of employment and output. Those words are his.

The hon. gentleman again says that this is a program of tight money, and his colleague from Calgary North (Mr. Woolliams) suggests the same thing. I do not know what the hon. member for Don Valley (Mr. Gillies) is currently thinking about this subject. When the monetary supply is expanding at an annual rate of 15 per cent, and when chartered bank loans are expanding at an annual rate of 24 per cent, I say that is not restricting the money supply. Indeed, the money supply may well be expanding too rapidly.

I agreed to allow the banks to raise jointly their rates on certificates of deposit. Certificates of deposit are the instruments against which banks borrow money on terms up to one year. I allowed that rate to go from 7½ per cent to 8½ per cent. I did that because short-term rates had outrun them. The shortage of funds that I have described, because of the disparity in short-term interest rates between Canada and the United States, the three point differential with the United States, and the four to five point differential with Europe, had put restraints on our money markets and on our ability to accommodate an expansion of the economy.

In return for that, I asked the banks to take a look at their profit picture and to ask themselves whether these spreads between what they pay for money and what they charge for money which they lend could not be narrowed. The certificate of deposit rate was raised one per cent and the prime rate was raised three-quarters of one per cent, so we narrowed the spread from one per cent to three-quarters per cent.

With regard to loans under $200,000 for small businesses, they raised the prime rate only one-quarter. In other words, the differential was narrowed from one to one-quarter of one per cent. They gave me an undertaking that as far as mortgages were concerned they had no present intention of raising the rates and that they would continue to inject a reasonable amount of funds into the mortgage market. In any event, the banks have narrowed their spread.

May I tell the hon. member for Oshawa-Whitby (Mr. Broadbent) that, in terms of the amount of money that the banks are now putting into the mortgage market, when my predecessor the present Secretary of State for External Affairs (Mr. Sharp) released the 6 per cent limit on bank rates in order to allow the banks into the mortgage market to compete, the banks were not participating in mortgages significantly at all. In fact, their participation was virtual-