

BANK OF CANADA INTEREST RATE INCREASE—EFFECT
ON PRICE LEVELS

Mr. James Gillies (Don Valley): Mr. Speaker, my question is for the Minister of Finance. In reading his answers to questions yesterday on the matter of the increase in the interest rate by the Bank of Canada I gained the impression that the minister does not believe it will cause a contraction of the economy. Is it his position that the increase in the bank rate will have no effect on price levels in the economy?

Hon. John N. Turner (Minister of Finance): Mr. Speaker, the increase in the bank rate and the subsidiary action by the chartered banks in raising their prime rates will, of course, do something to the cost of borrowing money.

Mr. Hees: It sure will.

Mr. Turner (Ottawa-Carleton): But we will still have the cheapest money in the world compared with the United States and all the major countries of Europe.

Mr. Gillies: Mr. Speaker, this supplementary question is directed to the Minister of Finance. Given the fact that the answer of the minister suggests that the policy is going to be inflationary, is it the position of the minister that we cannot control inflation in this country by raising interest rates?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, I would rather use the word "expansionary" than "inflationary". The hon. gentleman ought to take into consideration that if the present expansion in loan requests reflecting the expansion of the economy were to continue at the earlier rate of interest, this might well have involved over-expansion of the economy which the hon. gentleman was so worried about the last time he put the question to me on January 26.

SUGGESTED REQUEST BY MINISTER TO CHARTERED
BANKS NOT TO INCREASE LENDING RATES FURTHER—
IMPOSITION OF CEILING UNDER BANK ACT

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, may I ask the minister a supplementary question. In view of the fact that the four leading chartered banks have followed the example of the central bank by increasing their prime interest rates, and in view of the fact this will undoubtedly stimulate a further increase in the cost of living, may I ask whether he would undertake to attempt to persuade the banks not to make any further increase in their lending rates and, if he is unable to persuade them, would he undertake to bring in legislation to re-impose the 6 per cent ceiling on bank loans which one of his predecessors, the present Secretary of State for External Affairs, took out of the Bank Act a few years ago?

Hon. John N. Turner (Minister of Finance): No, Mr. Speaker, I would not give that undertaking. I want to say to the hon. member that, in view of the very heavy demand for credit in response to the expansionary economy in Canada and of the international situation in respect of interest rates, had the present interest rates not adjust-

Oral Questions

ed to these market forces the expansion in money supply might well have added to the inflationary cost of living about which the hon. gentleman is so rightly concerned.

Mr. Speaker: Order, please. I point out that there are perhaps five or six members seeking to ask supplementary questions on this subject. We will try to have as few as possible for each member, but for the moment the Chair will recognize the hon. member for Nanaimo-Cowichan-The Islands and then the hon. member for Gander-Twillingate.

REQUEST THAT MINISTER INDUCE CHARTERED BANKS
TO REDUCE SERVICE CHARGES IN LIGHT OF INCREASED
PROFITS

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, in view of the fact that bank profits have increased substantially since the 6 per cent ceiling was taken off, and their profits last year were over 20 per cent higher than the previous year, would the minister use his good offices to persuade the chartered banks to reduce the service charges they are now levying upon their customers as one means of keeping down the cost of living?

Hon. John N. Turner (Minister of Finance): Mr. Speaker, when I was talking to the President of the Canadian Banking Association prior to the increase in prime rates on Monday I asked him to relay to the presidents of all chartered banks in this country that I consider it important that credit not be reduced to Canadian-owned small businesses in this country, nor to those areas of the country that are growing at a slower rate than some other areas, and particularly that the spread between deposit rates paid by banks against money deposited with them and the interest rate charged by the banks on money lent by them should not increase. I am happy to observe that the banks have all indicated that the spread between their prime rate on loans and their deposit rates, either for savings or chequing accounts, has not increased, so that profits obtained by the banks can in no way be affected by—

Mr. Speaker: Order, please. I hesitate to interrupt the minister but it seems to me questions being asked at this time and the answers given by the minister are more in the form of a debate than questions and answers. I would hope that the questions might be briefer and the answers also.

• (1450)

BANK INTEREST RATE INCREASES—EFFECT ON
UNEMPLOYMENT—FORMAL COMMUNICATION
INDICATING MINISTER'S POSITION

Mr. John Lundrigan (Gander-Twillingate): Mr. Speaker, the answer the minister has just repeated is a very vital one for us in Atlantic Canada. In view of our concern about the impact of the present move of the central bank with regard to the interest rate and the concomitant potential impact on unemployment, can the minister say whether any formal direction or communication has been issued to the Bank of Canada or to the Canadian Banking Association indicating the minister's stand, and would he be prepared to table any such documentation?