

ORAL QUESTION PERIOD

FINANCE

REDUCTION IN BANK OF CANADA INTEREST RATE

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, I should like to direct a question to the Minister of Finance with regard to the announcement that the bank rate has been reduced from five and three-quarters per cent to five and one-quarter per cent following a reduction of one-quarter of one per cent ten days ago, I believe. Can the hon. gentleman tell us the reason this further reduction in the bank rate was considered to be appropriate today rather than ten days ago? What has happened to bring this further reduction about?

Hon. E. J. Benson (Minister of Finance): Of course, this is the result of a decision by the governor of the Bank of Canada. But it is an indication by the governor of the bank and by the government that they think that short-term interest rates should be lower.

Mr. Stanfield: Again I point out that this further reduction comes only ten days after the previous reduction. Does this indicate a growing concern on the part of the Bank of Canada with regard to the rate of growth of the economy, or does it mean that the Bank of Canada has concluded that short-term interest rates in Canada have been inappropriately high and have been causing upward pressure on the Canadian dollar?

Mr. Benson: I think it is a clear indication that the Bank of Canada believes that short-term interest rates are too high at the present time.

Mr. Stanfield: In view of the difficulties the floating dollar has been causing, as a result of which an increasing number of plants are closing down, does the minister propose to take any additional measures at least to slow down the rate at which plants are going out of business, which seems to be accelerating?

Mr. Benson: We have moved very rapidly in the past year in reducing the bank rate and short-term interest rates in Canada. What is indicated by the Bank of Canada by this further reduction is that short-term rates have not moved in the near past as fast as the bank thought they should move.

Hon. George Hees (Prince Edward-Hastings): In the answer he gave a few moments ago the Minister of Finance said clearly, "we have reduced the interest rate". He has studiously stated on other occasions that there is no connection between the decisions of the bank and the government. Which is it? Does the bank take orders from the government or not?

Mr. Benson: Mr. Speaker, unlike the days when the previous government was in power and they had almost to force the governor of the Bank of Canada to leave the bank, which caused a great scandal in Canada—

Some hon. Members: Oh, oh!

Inquiries of the Ministry

Mr. Speaker: Order, please.

Mr. Benson: —the government—

Mr. Speaker: Order, please. The hon. member for Nanaimo-Cowichan-The Islands.

Mr. Hees: A supplementary question, Mr. Speaker.

Mr. Speaker: Order. The hon. member for Prince Edward-Hastings has a supplementary question.

Mr. Hees: The Minister of Finance did not, of course, answer my question in any way. I now ask him, does the Bank of Canada—

Mr. Speaker: Order, please.

Mr. Hees: —take its orders from this government?

Mr. Benson: I suggest to my hon. friend that he read the Bank of Canada Act which gives the ultimate responsibility to the Minister of Finance. We accept our responsibilities, unlike the previous government.

Some hon. Members: Hear, hear!

Mr. Hees: Then why do you always claim there is no connection with the Bank of Canada? Be honest.

Mr. Speaker: Order, please. I think the minister and the hon. member have fought to a draw.

Mr. Benson: Mr. Speaker, on a question of privilege—

Mr. Speaker: Order, please. Is the minister rising on a point of order?

Mr. Benson: Yes, Mr. Speaker. The hon. member opposite has accused me of uttering an untruth. I do not think this is permitted in the House. If my hon. friend would look at the Bank of Canada Act, he would find that the ultimate responsibility resides with the Minister of Finance, and I have never said anything else. Unlike the situation under the previous government, I talk to the governor of the bank and—

Mr. Speaker: Order, please. In fairness to other hon. members I think I should point out to the minister and the hon. member that they have taken quite a bit of time. We have only 40 minutes and I think this debate might be continued at some other time.

REDUCTION IN BANK OF CANADA INTEREST RATE—ACTION TO REDUCE LEVEL OF SECONDARY RESERVES REQUIRED OF BANKS

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I have a supplementary question for the Minister of Finance. In view of the statement by the governor of the Bank of Canada that the objective of this interest reduction is economic stimulation, will the minister tell us whether he will now take action, along with the Governor, to reduce the rate of secondary reserves imposed on the banks as an anti-inflationary measure during the past several months?