

*Interest Rates*

In the case of financial institutions, the limit will be 6.5 per cent above the Bank of Canada rate averaged over the previous month, if the bank, trust company or credit union charges user fees and entry and renewal fees. The limit will be 8.5 per cent above the bank rate averaged over the previous month if no fees are charged at all. The limit will be 9.5 per cent above the average bank rate in the case of petroleum companies and 11.5 per cent in the case of retail stores.

To illustrate, if this Bill were law, credit card charges would have been limited, during the month of September, by the bank rate averaged through August. That average rate was 9.73 per cent. The requirements of this Bill would thus mean important savings for Visa and MasterCard users and dramatic savings for users of petroleum cards and retail store charge cards. Petroleum companies would have been limited to 18.28 per cent instead of 24 per cent. Retail stores would have been limited to 20.8 per cent instead of 28.8 per cent. The Bill will also prevent card issuers from getting even by increasing user, entry and renewal fees. So much for summing up the intent of the Bill.

Let me raise a question for the House. Why should Parliament want to impose this kind of limit? I would like to attempt an answer which is partly philosophical and partly historical.

First, let us face the argument that Parliament should stay out of the market-place, that this Bill represents an unwarranted intrusion. I know that there are probably certain officials in Ottawa who are having apoplexy on this Friday afternoon at the thought of this Bill. It might be a good argument if the users of the argument really meant it, but they do not unless it suits their convenience. They support the theory of free enterprise but often they advocate the opposite.

Where is this free market that they like to talk about? It certainly is not found in Ottawa on Thursday afternoon at 2 p.m., for at that time, the Bank of Canada, owned by the Government of Canada, enters the market-place to control the price of money, to control the interest rate that will be charged to banks and through them to the whole country.

The Governor of the Bank of Canada does not have the slightest inhibition about telling the business community what it can expect from him and what it can expect from him is certainly not a free market-place. That is an important point for all who think that Conservatism and an unbridled free market are one and the same. Obviously they are not. The left-wing critics of Conservatism like to see it that way and so do its radical champions, but the philosophy of Conservatism has stood for something else, and it can be summed up in this way: it is the belief that no power should be unlimited, that each power should be checked and balanced by another.

Conservatives, therefore, want private enterprise instead of state enterprise having a monopoly because they do not want the state to combine economic monopoly with political monopoly. However, private enterprise also must be checked and balanced. Its power has to be limited too.

This Bill is based on the principle that the state has a right to check and balance the power of corporations. When large corporations are not fair to their consumers, the state has a right to require that they become fair.

In the United States, the top 25 firms in the country control 50 per cent of the credit business. It could well be worse in Canada, and this means that only one power in those two countries is strong enough to defend the people. In our case, it is the power of Parliament, so I bring to the floor of the House of Commons this afternoon this Bill.

Let us take another example of how the state has the right to be active in this arena and is active in it. Our statutes include a penalty for usury. It is not always realized, but they do. They define usury in the most extraordinary way. Usury is defined as interest rates that are 60 per cent or higher. The rate is so fantastic, so ludicrous, that the financial institutions do not worry about it. I suggest that they should worry about it, and all their lobbyists should be arguing against this definition of usury because it means that Parliament has accepted the principle that Parliament has the right to impose a limit on interest rates. If we do not have that right, then how can Parliament be entitled to limit interest rates to 60 per cent or to any per cent? We could choose 60 per cent, 6 per cent or 160 per cent. Once we do so, we are expressing the same principle that Parliament, in the name of the people, has the right to do that.

Bill C-266 is therefore not a radical imposition of state power where the state should not intrude. It is just the opposite. It is an application of the principle that is found in our existing law.

So much for philosophy. Let us turn briefly to history. History shows that issuers of credit cards have been very quick over the years to raise rates but have been equally reluctant to lower them. Let me give a few examples from retail stores. In the 1970s, the major retail chains throughout Canada imposed charge card rates that rose steadily from 18 per cent in 1971 to 23.4 per cent in 1980, and this was because of the rising cost of money. Then they catapulted to 28.8 per cent in 1981. That was because the bank rate soared that year to 18.3 per cent. Note this carefully: the spread between those two rates was 10.5 per cent. That is a full point less than the spread that would be imposed by Bill C-266, so it is a very moderate Bill.

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A reasonable person might expect that stores, given the situation, would have cut their charge card rates when the bank rate fell so dramatically in the mid 1980s. You would expect that, but they have not come down a fraction of a point. The Bay, Home Hardware, Canadian Tire, Eaton's, Sears, Simpson's and Zellers are still charging 28.8 per cent. Woodward's charges 26.4 per cent.

Some of the lobbyists justify this by claiming their customers pay less than Visa or MasterCard users since the stores do not charge any interest for a certain period, often 30 days after