an interview this morning an official of Massey-Ferguson said that their number one problem was high interest rates—not the impact of world market conditions that the minister has indicated.

I will put this further question to the minister. He is undoubtedly aware that at the RCA Victor plant in Midland, approximately 25 per cent of its work force of 1,200 people is now laid off. It is the main employer in the town of Midland. If the minister is aware of that, would he indicate why this type of lay-off is occurring, and would he not agree that it is also due to the high interest rate structure that his government has had in place for almost the last year?

Hon. Herb Gray (Minister of Industry, Trade and Commerce): Madam Speaker, this government has not created the high interest rate structure in the United States—

Some hon. Members: Oh, oh!

Mr. Gray: —a country whose economic policy the hon. member thinks is so tremendous, a country which provides the outlet for 80 per cent or more of the production of Massey-Ferguson plants in Canada. If I am not mistaken, Massey-Ferguson has in Canada, according to my colleague, the Parliamentary Secretary to the Minister of Agriculture, a program whereby it sells combines in Canada at a particularly low rate of interest, a competitive rate. But the real problem is with respect to the economic situation in the United States.

With respect to interest rates in Canada generally, as the Minister of Finance pointed out, interest rates in this country, if one looks at the bank rate, are lower than at any time since the end of last year. They have come down approximately six points since August of this year. Certainly this is a step in the right direction in the key area of interest rates in this country. I wish there were further progress in the United States, a country whose economic policies the hon. member seems to think are so wonderful.

● (1120)

IMPORTATION OF PRODUCTS FROM JAPAN

Hon. Sinclair Stevens (York-Peel): Madam Speaker, I am sure all of us would like to remind the minister that interest rates in this country are still higher than they were when he said he would resign if they were that high during a period in which he was in government.

Does the minister not feel that there is an inconsistency in the policy of the government which permits companies such as Mitsui to do $1.5 billion worth of business in Canada but to employ only 140 people in this country when, at the same time, concerns such as Admiral, RCA Victor, and many other companies are finding it extremely difficult to compete with such concerns and have to lay off thousands of Canadian workers? Why does the minister encourage the importation of goods from Japanese and other manufacturers while at the same time discouraging, through such devices as FIRA, the opening up of plants in Canada which might employ Canadians and avoid the lay-offs we are now experiencing?

Hon. Herb Gray (Minister of Industry, Trade and Commerce): Madam Speaker, my hon. friend is certainly showing an amazing example of trying to work both sides of the street at the same time. In other comments he complains about alleged government interference with the private sector. Today he is calling for even more interference in a system he thinks is working well.

We happen to be working with the Admiral company, with provincial governments, with workers and with potential purchasers of that company in an effort to work out a program to restore it to operation. We are pursuing efforts in that regard.

If my hon. friend is talking about unfair import practices on the part of Mitsui, I would be happy to review those practices with the Minister of National Revenue to see if they contravene our laws. However, one thing the hon. member seems to be calling for which does not seem to be consistent with his non-interventionist philosophy is a system of review of the performance of large multinationals. I thank the hon. member for supporting this very interesting concept.

* * *

THE BUDGET

PROVISIONS AFFECTING INVESTMENT INCOME

Mr. John Bosley (Don Valley West): Madam Speaker, I have a question for the Minister of Finance regarding the ability to deduct from taxation the interest one pays on moneys borrowed for investment in Canada. I would like to raise with the minister the specific case of six young investors in Toronto who borrowed $100,000 last year to start a business. This business replaced an American business in Canada and now employs, through leverage, 200 Canadians in Montreal, Toronto, Burlington and London. They must decide in January whether to borrow the second $100,000 to which they committed themselves at the beginning. Their entire decision in the beginning was based on their ability to deduct interest costs.

Can the minister explain to me and to these investors why their desire to create wealth and jobs in Canada as of November 12 is regarded as immoral, and can he explain to the people whose jobs may be in jeopardy why that is a reasonable thing to do at this time?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the hon. member will be pleased to know that the measure I am proposing will not have the damaging effects he believes it will have; nor will it have the damaging effects the several individuals the hon. member mentioned might believe it will have. For that reason I would be pleased to have detailed information so that I can analyse the case.

Many people do not seem to understand that individuals will still be able to deduct borrowing costs on any investment against investment income from any asset, not just against the income from the asset to which the borrowing relates, and it