

when this policy has been tried for a number of years and clearly is not working?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the description of a policy by the hon. member does not represent a policy which the Prime Minister or myself support or propose to implement.

Mr. Rae: Madam Speaker, if what I have described is what is going on, then I suggest the minister really has no choice but to recognize that that is exactly the implication of the kinds of policies he has been following. Since analysts in the industry are telling us that high interest rates and restricted supply have been responsible for runaway food prices, which has been one of the main problems facing the average Canadian in the past year, can the minister tell us why the government is continuing policies which, while they are supposed to fight inflation, because they restrict supply are really causing inflation in the food industry?

Mr. MacEachen: Madam Speaker, I disagree with the hon. member's analysis of the statements of the analysts. He is attributing the underlying forces of inflation entirely to higher interest rates. He knows perfectly well that inflation in 1980, during the course of the year we have just completed, arose from a number of factors much more widespread and diversified than high interest rates, including the increasing cost of food imported from abroad, which happens in Canada; higher energy prices arising from international markets and a decision of the Government of Canada to ensure security of supply for this country; bad climatic conditions throughout the world providing for increased prices for grain; and higher meat prices as a result of the normal cycle in that particular industry.

I would ask the hon. member to take a rather broader look at the forces which accounted for inflation in 1980. I would add that probably the higher interest rates we are suffering are more a manifestation of these underlying forces than they are in themselves the driving force behind inflation. I just want to add my analysis to the one the hon. member has given.

Mr. Rae: Madam Speaker, the minister is prepared to allocate responsibility for the problem of inflation in Canada to every actor in the economic scene with the exception of the government and policies which the government itself can control. I find that an abdication of responsibility which in current circumstances is really intolerable.

My final supplementary question is this. The minister has expressed concern on many occasions about the possibility of a wages explosion. I wonder if he could tell us why he is not equally concerned with the ravaging effect that inflation has had on the standard of living of the average Canadian, on wages and on purchasing power; and does he not feel that a cost of living tax credit would do a great deal to show the average Canadian that the government is indeed concerned with the human cost of inflation? Is he concerned with assuring average Canadians that they do not have to seek personal solutions to a social problem but that the government is

prepared to play its part in providing a solution to a very real problem for every Canadian?

● (1130)

Mr. MacEachen: Madam Speaker, I disagree with the hon. member's suggestion that the government is not concerned with the impact of inflation on Canadians, particularly on low and middle-income Canadians. One of the first things we did at the beginning of this Parliament was to increase the guaranteed income supplement to help what I consider to be the most needy group in the community. As the hon. member knows, we have a fully indexed old age security system, a guaranteed income supplement which is fully indexed, and the spouse's allowance and the veterans' disability pension also are fully indexed. All of these measures which impact most directly on the most needy are fully protected against changes in the cost of living.

I believe, Madam Speaker, that the hon. member should take that into account when he asks for an additional cost of living tax credit. I think we have gone a long way in protecting the most affected citizens through the indexing provisions that have been passed and supported by the Parliament of Canada.

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AUTOMOTIVE INDUSTRY

INQUIRY RESPECTING STATUS OF FINANCING AGREEMENT WITH CHRYSLER CANADA

Mr. Bill Kempling (Burlington): Madam Speaker, I have a question for the Minister of Industry, Trade and Commerce. In view of the latest move by the U.S. government through the U.S. loan guarantee board to give further aid to Chrysler with attached conditions of employment, what is the status of the loan agreement between Chrysler and the Canadian government in view of the cutback of \$400 million in investment?

Hon. Herb Gray (Minister of Industry, Trade and Commerce): Madam Speaker, it is my understanding that the U.S. loan board has not yet made a definite decision to recommend the issuance of further loan guarantees. The day before yesterday they issued a statement indicating the basis on which they would be prepared to recommend the issuance of loan guarantees involving certain concessions by the parent corporation, the parent corporation's lenders and the UAW.

With respect to the Canadian situation, we have not agreed to any changes in the agreements we entered into with Chrysler last spring, and that is our position at this time. Earlier this morning I met with the leaders of the Canadian UAW to consult with them as a result of their participation in the discussions with the UAW in the United States. Now that I have had this consultation, I will be prepared to meet with the Chrysler Canada people, but our position is that we have an agreement with them and we have not agreed to any changes in it.