

Oral Questions

[English]

Mr. Speyer: Madam Speaker, that is what I like about this Minister. He will give all possible support, short of help.

Some Hon. Members: Oh, oh!

ACCOUNTANTS' CHARGE OF UNREASONABLE DURESS

Mr. Chris Speyer (Cambridge): Madam Speaker, I would like to bring up a very serious matter which deals with attitude and the behaviour of the administration of the system. The Canadian Institute of Chartered Accountants submitted a brief to the Macdonald Royal Commission in which the Institute made a very serious charge. The report indicates that Revenue Canada has threatened to assess more than the amount it believes is proper, as part of the bargaining process to get the taxpayer to accept what Revenue Canada regarded as proper. The conclusion reached by the Institute is that this is unreasonable duress to place on an individual or corporation. Has the Minister investigated this particular charge, how serious is the charge, and what is he doing about it?

[Translation]

Hon. Pierre Bussières (Minister of National Revenue): Madam Speaker, I am just as concerned as the Hon. Member about the impact of this comment by experts on tax legislation. I have had discussions on the subject with my senior officials, and I can assure the Hon. Member that our objective is that the amounts arrived at by tax audits shall not be in excess of the amount owed by taxpayers to the Government.

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[English]

BANKS AND BANKING

LOAN COST CHARGES IMPOSED BY CHARTERED BANKS

Hon. Edward Broadbent (Oshawa): Madam Speaker, my question is directed to the Minister of Finance. For six weeks in a row the Bank of Canada has posted an increase in its interest rate. This increase is at the expense of farmers and small businesses all across the land. We have learned why this is happening from today's business section of *The Globe and Mail*. The banks of Canada have posted a record \$1.89 billion profit. *The Globe and Mail*, with its usual perception, explains why this is so, and I would like the Minister to deal with the matter. The article in *The Globe and Mail* reads:

The way the banks made money in hard times was to widen the spread between what they paid on deposits and received in interest from loans.

In other words, the banks have been over-charging Canadians for money, with excessive interest rates. I would ask the Minister when the Government will produce an interest rate policy that will be favourable to farmers, workers, and small businessmen instead of the banks of Canada.

Hon. Marc Lalonde (Minister of Finance): Madam Speaker, I would first like to point out to the Hon. Member that, in

spite of the fact that both in Canada and the United States there has been an increase in bank rates, this has had no impact at all in terms of loans to individuals like the farmers and small businessmen to whom the Hon. Member referred. The prime rate has remained the same as it was in the weeks before, which is 11 per cent, the same level as it is in the United States.

As the Hon. Member knows, we are very much influenced by what is happening in the United States in this regard. We have succeeded, in the last year and a half, in eliminating the former 5 per cent, spread in favour of U.S. rates as compared to Canadian rates. We have brought our prime rate to the same level as that of the United States. We have been successful as a country in compressing any difference between the U.S. and Canadian rates.

● (1425)

As far as the issue of bank profits is concerned, I have to remind my hon. friend that for 1983 it appears that the return on assets of banks in Canada is expected to be .54 per cent; in 1982 it was .43 per cent, and in 1981 it was .57 per cent. The net interest income, which is a tax equivalent, would make it 2.53 per cent in 1983, 2.50 per cent in 1980, and 2.70 per cent in 1981. In effect, in 1983 we have had a situation where the banks have not been in a better position than they were in 1981 before we were hit by the recession. I should like my friend to bear these figures in mind when he raises the points he has just raised.

Mr. Broadbent: Madam Speaker, I summarized by quoting my favourite source of objective information for what is going on in the Canadian economy, the business section of *The Globe and Mail*. It was *The Globe and Mail*, and not the Minister of Finance, that pointed out that the profits of the banks today are at historical record levels at the expense, I may add, of all other Canadians. Whatever the Minister says, he cannot avoid that truth.

INTEREST RATES CHARGED TO FARMERS

Hon. Edward Broadbent (Oshawa): Madam Speaker, I should like to ask the Minister a question concerning a particular group that is of special concern, and that is the farmers. The number of bankruptcies in the farm sector has gone up by some 16 per cent in the past year. That is not coincidental to the increase in bank profits. In his submission to the Macdonald Royal Commission, the Minister of Agriculture, speaking about farmers, said that the problem is being made worse by increasing costs, including interest rates. Will the Minister of Finance give some consistency in policy and at least take action where the Minister of Agriculture has promised it, and do something for farmers about the exorbitant interest rates?

Hon. Marc Lalonde (Minister of Finance): Madam Speaker, the Government has already taken a number of steps under the strong urging and pressures from the very able Minister of Agriculture. We have announced a number of steps in the last