

*The Budget—Mr. Lambert*

the efforts the government is taking to encourage and increase our level of productivity. In my opinion many of the other things occupying the attention of governments and individuals are relatively minor in importance. The maintenance and the increase of the productivity of Canadian endeavour is of the greatest importance to the maintenance of our competitive position. Let us have no illusions about the results of the Kennedy round tariff agreements. In the short run they are going to create some grave dislocations in certain sectors. Many Canadian industries will have to sharpen their pencils if they want to remain competitive. We need not talk about production or investment of capital and other programs to encourage industry if the products of the investment or the industry remain unsold or unconsumed. Let us make sure we are able to dispose of the goods at the end of the line of production and that we are able to do so at a profit.

The minister spoke of an increase in the gross national product in current dollars of about 7 per cent in comparison with last year. However, with the present rate of increase in the cost of living this really means an increase of about 2 per cent in constant dollars. One merely has to look at the tables of the consumer and wholesale price indices to see the fantastic and unbridled increase in the cost of living in recent months. The minister was quite right when he said this was one of our major problems. Inflation at this time could be one thing that might trigger a flight of confidence from the Canadian dollar and a flow of capital from Canada which would result in the loss of that investment of foreign capital we sorely need. There would be an outflow of foreign investment and confidence in Canada would suffer a serious blow.

According to the Dominion Bureau of Statistics the cost of living increased from January to August by 4.9 points, that is from 146 to 150.9. In August of 1966 the figure was 144.9, so there has been a six-point increase in the consumer price index in the last 12 months. The cost of food is of great importance to the individual, and the figures show that the cost has increased from 148.1 to 151.2. We have just concluded a debate in respect of the cost of shelter or housing. We observe an increase since August, 1966 from 163.6 to 171.8. In order to make some comparison, the figure for 1963 for this category was 150. In other words, since this government took office the cost of shelter has gone up by almost 22 points or about 15 per cent.

Is it any wonder we have a housing crisis in Canada? People are beginning to believe that the government has buried its head in the sand to avoid seeing the pressures and difficulties the average Canadian citizen faces in respect of housing.

It is not my intention to refer in detail to the increase in interest rates. There was a slight decline last spring which allowed the formula under the Bank Act to be triggered, but since then we have seen a continuous rise in interest rates. By looking at the average figure referred to in the formula for the National Housing Act interest rate, being the average rate on government longs, shall we say, which was 6.10 in the month of September, we can see the position we have now reached.

This is not the only government that has difficulty in regard to bond issues. Conversion loan and cash money requirements are at an all-time high. I remember the late member for Welland standing in this house at the time of the conversion loans, assisted by his colleagues in the opposition of the day, castigating the then minister of finance because interest rates were  $4\frac{1}{4}$  per cent,  $4\frac{1}{2}$  per cent and  $4\frac{3}{4}$  per cent. Now we have effective rates which are over 6 per cent. Well. Let us consider for a moment Canada savings bonds. They have now moved out of the category of true savings bonds. They are now to be used as a form of annual conversion loans because there is no limit on the amount that can be invested or converted. What are the interest rates? Effectively around six per cent.

• (4:30 p.m.)

The city of Ottawa is another example of a level of government having difficulty in financing its expenditures. Its council called for tenders last week as part of a refinancing program. The civic authorities were astounded when the best offer was 7.4 per cent. Government agencies such as Quebec hydro, Ontario hydro and similar bodies are absolutely dependent on bond issues. This year they are paying rates of up to 7 per cent.

The minister said there were high interest rates in the United States. It is strange that it was not disclosed during the housing debate that the average rate in the United States in respect of loans for homes is 6.4 per cent whereas we have gone to  $8\frac{1}{4}$  per cent as the ceiling under the National Housing Act. Of course, the rate on conventional loans has gone up to  $8\frac{1}{2}$  per cent.

**An hon. Member:** It is 9 per cent.