

## THE CANADIAN ECONOMY

### PRESENT LEVEL OF INTEREST RATES AS FACTOR IN SLOWING DOWN ECONOMIC GROWTH

**Mr. James Gillies (Don Valley):** Mr. Speaker, I have a question for the Minister of Finance. Does the minister and the Department of Finance attribute and in what proportion do they attribute the slowdown in the growth of the economy to the high interest rate policy that the government is now following?

**Hon. John N. Turner (Minister of Finance):** Mr. Speaker, there is no evidence that the high interest rate is either contributing to a slowdown or is geared to slow down the economy. It moderates the expansion of the economy in two ways, first of all, by responding to the extremely strong demands for credit to accommodate that expansion and, second, by reflecting the international interest rate structure.

**Mr. Gillies:** If the high interest rate policy is not slowing down the rate of growth in the economy and therefore moderating inflation in the way that the government is trying to solve the inflation problem, is the minister contemplating some policy that will reduce interest rates so that housebuilding and other activities in the economy may be expanded?

**Mr. Turner (Ottawa-Carleton):** Mr. Speaker, I think the premise of the hon. gentleman's question is a little in error since new starts in housing are again at a record figure.

**Mr. Gillies:** Mr. Speaker, may I put the question a different way. The evidence is quite clear that in the second quarter and probably the third quarter the economy is not expanding, unemployment is rising, there is a high level of inflation, and high interest rates are contributing to this. Is the government going to do anything about it?

Some hon. Members: Hear, hear!

**Mr. Turner (Ottawa-Carleton):** Mr. Speaker, the economy is still growing at the rate predicted by the government and rejected by the hon. gentleman in February. The real rate of growth of 7 per cent across the country shows that the economy is at or near capacity.

**Mr. Gillies:** Mr. Speaker, I want to pose this question so that I will not be out of order. Surely the Minister of Finance must realize as does everybody else in this country—

Some hon. Members: Oh, oh!

**Mr. Speaker:** Order, please. Perhaps the hon. member might ask the question, but if he wants to put it so that it will be correct procedurally I think he has started off on the wrong foot. He might try again.

**Mr. Gillies:** Given the fact that the growth in the economy experienced this year all took place in the first quarter and given the fact that in making economic policy one does not look backward but forward, is the minister going

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to do something about the interest rate policy in the country at the present time?

**Mr. Turner (Ottawa-Carleton):** Mr. Speaker, we are looking forward to a strong rate of growth both in 1973 and 1974.

### DISPARITY IN COST OF LIVING FIGURES FOR VARIOUS CITIES—MEASURES TO CORRECT—ACTION TO REDUCE FREIGHT BACKLOG AT NORTH SYDNEY

**Mr. James A. McGrath (St. John's East):** Mr. Speaker, my question is for the Minister of Consumer and Corporate Affairs. In view of the fact the cost of living index for regional cities of Canada released last Friday showed wide disparities, for example, an increase of 1.4 per cent in Thunder Bay as opposed to .4 per cent in Ottawa, is the minister looking into the cause of these price disparities, and what corrective measures does the government propose to take?

● (1420)

**Hon. Herb Gray (Minister of Consumer and Corporate Affairs):** Mr. Speaker, the government has announced a number of measures over the past several months aimed at restricting increases in the cost of living and has made a commitment to introduce other measures as required. This is a matter in which I am certainly taking an interest and the Food Prices Review Board is as well.

Some hon. Members: Oh, oh!

**Mr. Speaker:** Order, please. I seek the co-operation of hon. members in attempting to make progress. We are still on the first question, as hon. members will appreciate. I will recognize the hon. member for St. John's East and then the hon. member for Gander-Twillingate, after which I will recognize the hon. member for Winnipeg North.

**Mr. McGrath:** Mr. Speaker, may I direct a further supplementary to the Minister of Transport. As the same consumer price index showed a 3.2 per cent increase in the cost of food at St. John's, Newfoundland, the highest by far for any city in Canada, is the minister, in light of this fact, now prepared to take very serious measures to alleviate transportation difficulties, more particularly the freight backlog at Sydney, Nova Scotia, which has accrued as a consequence of the failure of the government to take necessary action.

**Hon. Jean Marchand (Minister of Transport):** Mr. Speaker, I think that this is not in accordance with the facts. I regret that the hon. member does not recognize all the efforts that have been made in order to decrease the backlog. There are about 400 fewer cars there than there were three weeks ago. So we are making this effort. I might say that St. John's, Newfoundland, in common with all of the Maritimes, profits from special freight rates that do not apply in other parts of Canada.