

*Oral Questions*

**Hon. Marc Lalonde (Minister of Finance):** Mr. Speaker, we have just got a very nice example of wilful distortion of a statement made by a senior official. What the Governor of the Bank of Canada has said before the parliamentary committee is on the record. I invite my colleague to go and check exactly what he said. Neither the Governor nor myself has blamed anyone. I invite the Hon. Member to check the words that have been used by the Governor, rather than seriously distorting his statement.

The figures in terms of rates of growth of wages in Canada and the United States over the last few years are there for everyone to see. Last Friday in the House I mentioned a number of figures for the last few years. Those are the figures which were released by official organizations such as Statistics Canada. If my friend does not like those figures, she can argue with Statistics Canada. However, they are there for everyone to see.

If the Hon. Member checked back before 1981 she would see that for years in Canada we have had higher levels of remuneration growth in wage settlements than there have been in the United States. I have indicated that we cannot hope to compete with the United States if, year after year, we have higher rates of settlements than in the United States, unless we are going to have higher productivity than the United States. This is grade one economics. If my friend does not realize that, her case is rather hopeless.

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**FINANCE**

## GOVERNMENT'S INTEREST RATE POLICY

**Mr. Ian Deans (Hamilton Mountain):** Mr. Speaker, my question is also for the Minister of Finance. Two years ago when interest rates in Canada reached nearly 21 per cent and there were almost 2 million people unemployed, we had been following and were continuing to follow the interest rate policy established by the United States Government. We saw the dire consequences of that action, with more bankruptcies in almost every single sector of the Canadian economy. Is the Government now prepared to risk the same kind of consequences by following the U.S. interest rate to whatever level it reaches, regardless of the effect it will have on the Canadian public?

[*Translation*]

**Hon. Marc Lalonde (Minister of Finance):** Mr. Speaker, this is a discussion which we already had in great detail last week. I have nothing to add to what I said on the subject last week. However, I may remind my hon. friend that in case he is panicking, there is no reason to believe that in the months to come, interest rates will start rising as they did a few years ago.

All analysts who are looking into the situation, or at least the vast majority, agree that even if interest rates in the United States were to rise, the increase would not be substan-

tial. In fact, there is no reason to believe in the pessimistic scenario given by my hon. friend.

[*English*]

**Mr. Deans:** Mr. Speaker, that is the same answer we got in 1980 and 1981. The difficulty is that there is not an analyst anywhere who fully understands what the consequences will be, or where the rates will go. It will be too late to turn it back once the rates get to 16 and 17 per cent.

## EFFECT OF INTEREST RATES ON UNEMPLOYMENT

**Mr. Ian Deans (Hamilton Mountain):** Mr. Speaker, as reported at page 2331 of *Hansard* of last week the Minister said: "Mr. Speaker, an increase of one-half of one per cent in the interest rate does not necessarily mean there will be fewer jobs in Canada."

Between 1981 and 1982 each one-half per cent increase in the interest rate resulted in a net loss of 100,000 jobs seasonally unadjusted and 35,000 jobs seasonally adjusted. Is the Minister prepared to follow the upward spiral of interest rates which is now being pursued in the United States, recognizing the loss of jobs that will result in Canada if we follow it lock-step as we did through the years 1980 through 1983?

**Hon. Marc Lalonde (Minister of Finance):** Mr. Speaker, surely my friend recognizes that an increase of one-half of one per cent in interest rates does not necessarily lead to higher unemployment. It depends on a number of other factors, including the general economic environment, the confidence of consumers, the expectations of businessmen as to what will happen in terms of consumer demand, and the world demand for a number of products in the mining and forestry industries, to mention only two.

To find evidence that jobs can still be created and unemployment reduced, even though there may be some slight increase in the interest rates, one has only to look at the situation in the United States in the last three months. In the United States there has been an edging up of rates since January. They have still been creating jobs very quickly and have known a very high rate of growth in their economy.

Along with my friend I recognize that large increases in interest rates would indeed have a very serious, dampening effect on the economy. However, the type of increase which has occurred, or is likely to occur, is not necessarily one which would lead to a decline in employment. On the contrary, the evidence from the United States in the last few months seems to indicate that there can still be strong growth in the face of edging up of interest rates. Obviously our preference would be for interest rates to be lower and to continue the downward trend which existed last year. The object of our policy is to have the lowest possible interest rates in this country.

● (1430)

## EFFECT OF INTEREST RATES ON BUSINESS SECTOR

**Mr. Ian Deans (Hamilton Mountain):** Mr. Speaker, back in 1979 the present President of the Treasury Board said: "The