bank is now at 14 per cent while the prime rate is at 20 per cent. There is therefore a difference of 6 per cent between the bank rate of the central bank and the prime rate of American banks. It is therefore an unsound argument to draw inferences from the bank rates of various countries and that consumer interest rates are related to the bank rates since the difference between the bank rates and the rate structures are not the same in every country.

Mr. Speaker, the New Democratic Party condemns the government and suggests that interest rates for Canada are set in Washington. It is quite obvious that Canada has important commercial and financial ties with the economy of the United States. It is also true that Canada and the United States are both facing serious inflationary problems. In view of the similarity of the economic conditions in both countries, a certain analogy in the evolution of interest rates in our two countries should not come as a surprise. Nevertheless, there are significant differences between the American policy and the Canadian policy as concerns interest rates. In the last 18 months, interest rates in Canada have been far less volatile than in the United States. While American interest rates reached record highs temporarily both in April and in December of last year, interest rates in Canada remained significantly lower.

In the United States certain short-term interest rates went up by as much as ten percentage points in as brief a period as five weeks. Although certain movements have been relatively significant in Canada they have been less noticeable than those which occurred in the United States. At the same time we went through periods during which the exchange rate was under strong downward pressure. During the spring last year, for instance, when the American interest rates were at record levels, the Canadian exchange rate dropped by more than four cents. When the American interest rates reached unprecedented heights in December of last year, the Canadian exchange rate stood at its lowest mark since the first years of the depression.

In recent days the dollar exchanged at close to $0.83, whereas interest rates in the U.S. compared favourably with those of Canada or were slightly above Canada's rates. When looking at those differences in interest rates we must recall that historically the American interest rates have usually been much lower than Canadian prevailing rates. Those changes in the interest rates and in the financial situation of the United States created a problem of a general nature for Canada's monetary policy because we had to decide either to go along with a similar volatility of our interest rates or again accept very sharp fluctuations in the value of the Canadian dollar. The policy adopted by the Bank of Canada and strongly endorsed by the Minister of Finance is to steer an intermediary course, in other words, as far as possible, to reduce to a minimum the volatility of the Canadian interest rates while at the same time resisting undue downward pressure on the exchange rate. Even though external factors did have a significant impact on Canadian interest rates, Canada's economic situation is also a major element of the pressures which are brought to bear on interest rates.

Since the budget speech of last October several developments originating abroad as well as in Canada changed the course of our economy in 1980 and the outlook for 1981. After the decline recorded in the first half of 1980, the Canadian and the American economies did not remain in a state of recession as it had been expected. In fact, the strength of the upswing was even surprising. Economic activity in Canada increased at an annual rate in excess of 8 per cent in the last quarter of 1980, which offset the drop recorded at the beginning of the year. On an annual basis the real gross national product hardly changed in 1980, but investments did increase very rapidly that same year. A real growth of 8.5 per cent was reported. On the other hand, the housing sector was very weak, particularly in the first half; our trade balance surplus reached $8 billion, more than double that of the previous year. That enabled us to cut down from $5.8 billion to $2.8 billion our current operations account deficit with foreign countries.

Let us now consider what happened in the field of employment. The number of jobs rose by 286,000, an increase of 2.8 per cent. A record level of 59.2 per cent of the Canadian population was employed. Incomplete data for the first quarter of 1981 lead us to believe that we will witness the same strong growth as the one recorded in the fourth quarter. A real growth of roughly 1 to 1.5 per cent, which means 4 to 6 per cent on an annual basis, appears likely. Employment went up by 1.3 per cent in the first quarter and that led to a slight decline in the unemployment rate to 7.3 per cent. The growth in employment continued through April and the unemployment rate dropped to 7 per cent, the lowest it has been since June 1976. In April, the cumulative increase in employment for the twelve previous months was 3.3 per cent, which means 346,000 new jobs. The economic recovery which has begun in the second half of 1980, both in Canada and in the U.S., forced us to revise upwards our forecasts for real growth in 1981. A rate of growth of between 2.5 and 3 per cent is now generally accepted, compared to the one per cent that was expected when the budget was brought down.

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This improved picture for real growth is dimmed, however, by less encouraging prospects as far as inflation is concerned. The increase in expected growth for the goods, services and manpower markets combined with the downward pressure of the rate of exchange will only exert more inflationary pressure. Price increases for goods are also expected to be greater than what was forecast last fall. Provincial tax increases as well as energy price hikes will only worsen our inflation rate projections.