

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, the main thing that is sinking these days is the credibility of the Conservative Party.

Some Hon. Members: Hear, hear!

Mr. Lalonde: I would like to repeat to the Hon. Member that in the Budget which I put forward last February I introduced measures to deal with the economic problems the country is facing. I indicated that there would be no magic solutions and it would take time to reduce unemployment.

However, the Canadian economy experienced a strong rate of growth last year. It will experience a strong rate of growth this year. It is through the application of consistent, responsible economic policies that we will ensure this country will know the growth it deserves—not by the kind of rhetoric in which the Hon. Member is indulging.

Mr. Crosbie: Mr. Speaker, I would like to remind the Minister that he was the one who said, on the day after he tabled his Budget, that he was happy that his new Budget was not having any effect on the Canadian economy. The Minister said that.

INTEREST RATE INCREASES—BUDGET STATEMENT

Hon. John C. Crosbie (St. John's West): Mr. Speaker, yesterday in his reply to questions the Minister made light of the interest rate increase of one-half of one per cent which has just occurred. Why did the Minister, in his Budget of February 15, *The Canadian Economy in Recovery*, say:

Further progress in reducing interest rates and the growth of costs is essential if the business sector is to restore its financial strength and become a sustaining force in the recovery.

Why did the Minister say that on February 15 if he now believes that interest rate increases are nothing to be feared at all and he is not worried about them? Why this inconsistency? Why is the Minister now contradicting his Budget? Which Minister has the Toni? Which Minister is the phoney?

Mr. McDermid: Obviously there is no Toni there.

[Translation]

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, I am used to the Hon. Member, and I am not going to get upset about his lighthearted approach to serious matters. However, I may remind him that the Government's position has been to favour the lowest possible interest rates, that a decrease in interest rates would be a very welcome development, and if it were up to us, we would be delighted to take measures that would bring about an additional decrease in interest rates.

Unfortunately, Canada does not live under a glass bell, isolated from the rest of the world. We are part of the world economy, and we are also very much affected by events in the United States. If there is a rise in interest rates in the United States, clearly we would not be able to keep our rates at levels

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lower than those in the United States over a prolonged period of time.

I would remind my hon. friend that the banks' prime rate today is at the same level as in the United States—not higher and not lower—while several years ago, we had differences of up to 4 and 5 per cent between our rates and those in the United States. I want my hon. friend to understand that we are doing everything we can to ensure that interest rates in Canada will be as low as possible. I realize that if it were feasible, it would be preferable to have lower rates than the levels we have at the present time. I wish we did, but we must be realistic and understand that if interest rates rise in the United States, we will not be able to dissociate ourselves entirely from what is happening over there.

[English]

SIZE OF GOVERNMENT'S BORROWINGS

Hon. Michael Wilson (Etobicoke Centre): Mr. Speaker, I would like to remind the Minister of Finance that we are living in an international world and we have to be conscious of what is going on outside the country. The policies he has been following over the past few years have gotten us into this position. I would like to draw to his attention another reason for the current weakness in the Canadian dollar. It is the growing awareness of Canada's reliance on international borrowing.

• (1430)

I have the Morgan Guarantee Report which shows that last year Canada was No. 3 in the world in the size of international borrowings, and the second largest borrower in the world the year before. I should remind the Minister that that equals the total of the two largest problem borrowers, Brazil and Mexico. The reason why we are doing this is that we are being pushed out into the world by the high international borrowing.

How much longer can Canada continue to borrow amounts of this magnitude in foreign markets—far in excess of other industrialized countries like France, the U.K. and Italy—before we have a serious balance of payments problem, a much more serious problem with the Canadian dollar, and the consequent increase in interest rates that that will bring?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, we have another rather incredible question from the Tory benches. One day they complain that the world has lost confidence in Canada, and the next day they come and say: "Look at that. We are large borrowers around the world. The world has confidence in Canada and is ready to lend us money".

The industrial history of this country has been built on foreign borrowings. We need a lot of investment from abroad. We need a lot of borrowing from abroad because we do not have enough resources in this country to ensure the full potential that this country has.

Some Hon. Members: Oh, oh!