

government has to compete with. In the United States it just slipped under 10 per cent.

● (1540)

All farmers have to pay that. Senator Barootes was talking about a floating rate. According to my information, and I have asked the banks, they do not have any loans for farmers that are not on floating rates. There are some very short-term loans, but the remainder of the loans are on floating rates. They are paying from 13.5 per cent up. In some cases some of these poor farmers, whose credit is shaky because they have missed a payment or two, are paying 2 per cent over prime. They are the ones in real difficulty. It means that they are paying 15.5 per cent on a floating rate right now.

It is costing the federal government about \$11 billion simply because we keep our interest rate that far above the interest rate of the United States. A \$320 billion debt—that is where the Tories have delivered us now—means that for each percentage point the interest rate goes up it costs the federal treasury \$3.2 billion in interest annually. If we are 3 per cent or 3.5 percentage points higher than necessary, it means the federal government is paying around \$11 billion and close to \$12 billion to those holding the Canada bonds. That, I believe, is in excess of what needs to be paid.

I see Senator Phillips shaking his head the right way, so he must be agreeing with me.

Why are we doing this? They say it is to fight inflation. What is the inflation we are fighting? Do we think we have such a great influence on the international prices of all the commodities that we consume in Canada that somehow we can have a great impact? Do we think we are going to have a great exodus of money from Canada? Some people believe that if the Canadian dollar would come down a little more it would help our economy, not hinder it. It is sitting at around 85 cents, although it slipped a bit in the last day or two. Most economists who study these things claim that the Canadian dollar is probably eight points to ten points higher than strict economic activity would dictate. It is these unreasonably high interest rates that are being perpetrated on Canada by the Bank of Canada that are adding the other eight points to ten points, moving it up to 85 cents or 86 cents U.S.

I think the government needs to take its responsibility. The Minister of Finance meets with the Governor of the Bank of Canada every week. The government cannot escape by saying that this is the policy of the Governor of the Bank of Canada. That situation was changed a few years ago, after the Coyne affair. The government has the ultimate responsibility. Do they want to continue this policy in spite of the fact that Canadians and farmers are paying 14.5 per cent and 15 per cent in interest rates on debts which they have not been able to reduce the principal on for years because of the drought? It seems to me that the government should face that fact and govern this country. Whether John Crow stays on as the Governor of the Bank of Canada will not make much difference to a farmer who is going broke because of the policies of the Bank of Canada. The Minister of Finance has that responsibility. At least he should screw up his courage and state that

[Senator Olson.]

this is not good for Canada; it is not good for the deficit situation, and it is not good for people who get caught by these unreasonable interest rates.

I know many of the people who live in the area that went through its sixth year of drought in 1989. As Senator Barootes has pointed out, it is likely to happen again, because our subground moisture in the Prairies is at the lowest point in recorded weather history. We have not had a reasonable amount of snow since winter was supposed to have started in October or November; and the moisture was sucked out of that ground last year during the drought. In the area Senator Barootes is talking about near the Alberta-Saskatchewan border there was almost a complete crop failure. He is speaking of a tear-drop-shaped geographical area about 150 miles wide at the border. There was some rain in the spring, at the start of the growing season, but the crop, when it had grown almost to its full height and was forming a head, was parched. There has been no appreciable amount of rainfall or snow since. That is what those farmers face going into the 1990 production year.

**Senator Spivak:** Perhaps they should grow trees.

**Senator Olson:** Some of those people would have a hard time waiting 45 or 50 years for trees to pay off in order to meet their financial commitments now. Apparently the government is backing away from its responsibility there, too. I think it is great to plant trees, but there is no point in starving to death while waiting for them to grow.

Honourable senators, another thing that this government needs to understand is that it has a responsibility to get out into the international community and exert some influence on what the United States and Europe are doing. They keep coming back and wringing their hands and saying, "What can we do about it? Europe and the United States are having a little subsidy price war." Honourable senators, I just do not buy that. I know that for years Canadian government departments, such as the Departments of External Affairs and International Trade, have had to exert some diplomatic pressure in those areas so that they do not devastate our farmers with their subsidy wars. To say that they cannot do it is really a cop-out. I know they made some efforts in Europe, particularly the Cairns group and other groups in some other nations, but whatever they have been doing has not been effective. Does that mean that the people running the Government of Canada are incompetent to do the job?

**An Hon. Senator:** Yes.

**Senator Olson:** I guess it does. They have an obligation to try and to keep on trying, because there is now no surplus of wheat in the world as has been the case in previous years. We are down to one of the lowest levels ever of grain in storage in relation to total world demand or use of wheat. I believe we are down to a 33-day supply of wheat. Of course, harvesting is going on in various parts of the world all the time. However, I think the total reserves of grain on hand are lower today than they were about 12 years ago when prices started to go up. And prices would be going up today except for the subsidy