

Economic Conditions

Arab oil at a high price in order to bargain to alleviate the Canadian energy problem of the moment. I hope the Prime Minister will tell us what happened.

I also hope that the Prime Minister will indicate how he intends to approach his next visit which, likewise, will take him to some developing countries, which include Nigeria, Senegal, Brazil and Mexico. These four countries have a very distinct economic personality. I hope he will tell us how he intends to approach these countries, the reason for the visit and what their response will be, or will it be just another instance in which the Prime Minister will dance sheik to sheik? Such an approach is not very serious, and certainly not the solution which the country and the economies of the world need at this particular time. As this debate continues tonight, I trust that the Government of Canada and the Minister of Finance (Mr. MacEachen) will seriously take to heart the things which we have mentioned today and will seriously read the indications which have been given to us by people who have knowledge of and skills on this complicated world economy.

I trust that we will all thank God in this week prior to Christmas and enjoy on the whole a relative degree of comfort. But there are others who will not enjoy the season as much as they could. We must not forget the millions throughout the world who, caught up in this critical world economic situation, will know Christmas only as another day of despair.

The Acting Speaker (Mr. Blaker): Before the hon. member for Trinity (Miss Nicholson) takes the floor, an hon. member advises me that in proceedings which have gone away into the night, as apparently they may this evening, it has been the custom to release the pages from duty. Would that be according to the wishes of the House?

Some hon. Members: Agreed.

Miss Aideen Nicholson (Trinity): Mr. Speaker, this evening we are discussing a resolution which arises from the fact that there has been an increase in the cost of living, the highest since 1975, and also that we face a situation of unusually high interest rates. The central bank has made an effort to avoid slavishly tracking the U.S. interest rates, and the spread between the two is wider than has been the case. It is true that Canadian interest rates must remain reasonably competitive with the United States rates to attract needed foreign capital and to retain capital investment. But a prime lending rate which has reached the present figure must, of course, raise concern that it may be depressing economic growth, both at the consumer level and the industrial level.

Some economists have expressed fears that the dampening economic effect of higher rates may retard Canada's recovery from the present slump.

What is needed, of course, is a very reasoned assessment of the situation in order to assure that action is intelligent and based on a full understanding of the options. The very wide divergence of opinion is indicated in the reports of the meeting of provincial ministers on December 17. We find in a news

conference after the meeting the Ontario treasurer, Mr. Miller, said that he would prefer the risk of higher inflation because of a declining dollar to the known costs to business and to consumers of soaring interest rates. However, his Quebec counterpart, Jacques Parizeau, took the opposite tack. Because inflationary pressures are already being increased by rising energy and food prices, it would be a mistake to add to them by letting the dollar fall even further than the five points it has come down in recent months, Mr. Parizeau said. These two directly opposed opinions indicate the difficulty and complexity of the subject when two intelligent and experienced observers have opposite solutions to the difficulty.

● (0100)

Mr. Deputy Speaker: Order, please. Hon. members will please observe order.

Miss Nicholson: Mr. Speaker, the problems are international and that must be faced. The governor of the Bank of Canada has said:

The problem does not originate in Canada and the bank has no way of dealing with it that would not affect either the level of interest rates or the exchange rate or both.

Some members who have taken part in this debate have behaved as though any mention of international factors were an attempt to evade responsibility for doing in Canada what can be done in Canada. Surely the opposite is the case; to act intelligently in Canada, one must have an understanding of the international implications.

The Conference Board, which used to be highly regarded by some members opposite, told us this fall that most of Canada's inflation in the post-war period was caused by international influences and that world markets were more significant in the bills we pay than Canadian profits, labour costs, money-printing or government spending. In fact, one well-respected financial analyst went on from that point to suggest that this is a strong argument for making sure that in any constitutional rearrangement the federal government has all the levers it needs. In the *Toronto Star* for September 2, 1980, we find the following:

Since the fight is so difficult, and so international, it's vital that Ottawa have the power to do what it can, in combination with other countries.

A number of members tonight have spoken about the effect of high interest rates and high inflation on lower-income Canadians. This must be a real concern to all of us. People with lower incomes have less discretionary income. Their income is very tightly budgeted. They have fewer choices and almost all of their income must be spent on the necessities of life. Indeed, they are the people who are hardest hit in times of economic difficulty.

Another member who spoke had some criticisms of what he called the welfare state. But surely if it were not for the social measures now in place, those on low incomes would find life even more difficult than they do now. Most of the social measures now in place were introduced by Liberal governments. For example, old age security, the guaranteed income supplement, the spouses allowance, family allowances, the