

*Oral Questions*

**Mr. Chrétien:** Mr. Speaker, the auto pact is an agreement negotiated between Canada and the United States; it is not a subject for bilateral discussion at Geneva because the GATT negotiations are of a multilateral nature.

## COST OF MAINTAINING FLOATING DOLLAR

**Mr. Edward Broadbent (Oshawa-Whitby):** Mr. Speaker, I have a question for the Minister of Finance concerning the recent announcement by his government that it intends to continue the insane policy of borrowing to prop up the Canadian dollar. Considering that the government has either borrowed or has on standby credit some \$4 billion and is negotiating for another \$1 billion, would the Minister of Finance confirm that the daily charges for the Canadian taxpayer, in terms of interest rates, for this monumental loan amount to approximately \$750,000?

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, it is false. I have replied to this question before. We are borrowing that money from abroad, which means that we do not have to borrow internally in Canada. Borrowing in either the United States or Canada involves interest rates. When we have American dollars in our reserves, if we lose those reserves the Canadian dollar balance-sheet increases and we do not have to borrow an equivalent amount in the Canadian market.

**Mr. Broadbent:** Mr. Speaker, I wish the minister would answer the question. Will he tell us how much in interest charges it is costing the Canadian taxpayer by borrowing? I say it is approximately \$750,000 a day down the drain. I would like the minister to correct that figure if it is wrong.

Dealing in terms of job creation, considering that President Carter of the United States has maintained a floating dollar which has been a major instrument during the past 12 months leading to a situation in which the number of unemployed there has been reduced by one million, while the number of unemployed in Canada increased by 100,000, would the Minister of Finance tell the House why he has not opted for the policy pursued in the United States, that is, not to prop up the dollar but to increase export sales to benefit from the result of a lower dollar?

**Mr. Chrétien:** Mr. Speaker, the hon. member is not on very solid ground. We used to be stronger than the American dollar, but in the past 18 months we have been approximately 12 points lower than their dollar. We floated our dollar and at the present time we are lower by 12 points. We are floating the Canadian dollar, but we are intervening in the market to ensure that it floats in a rational way. We have used this instrument to supplement the flow of capital into Canada that was lacking in the last three months.

● (1142)

**Mr. Broadbent:** A supplementary question, Mr. Speaker. The Minister of Finance is the only one who could maintain a sinking dollar and a floating dollar simultaneously: that is some achievement. Notwithstanding the \$750,000 per day he

[Mr. Darling.]

is pouring down the drain in interest charges, has he read, or have his officials passed on to him a report prepared by the government of Ontario which points out that for each increase in the interest rate of 1 per cent, there is a negative impact on the economy—and we need stimulus in order to create jobs—of about \$1 billion? If so, will he take action to stop any further increase in interest rates which the banks have indicated they are going to pursue?

[Translation]

**Mr. Chrétien:** Mr. Speaker, we raised the interest rate of the Bank of Canada by 1 per cent last month and in fact most interest rates have not followed suit. For instance, Mr. Speaker, the interest rate on mortgages has gone up by one quarter of a point only whereas the interest rate of the Bank of Canada has increased by one point. Why? Because there is so much disposable savings in Canada at the present time that the various institutions compete against each other and therefore have not dared to boost their interest rates by as much as the Bank of Canada did, which is very good for the economy. As I see it, the hon. member's suggestion is not valid because the higher Bank of Canada rates have not been followed by a proportional rise in the interest rates of other institutions in Canada.

[English]

## VALUE OF CANADIAN DOLLAR—EFFECT OF GERMAN BORROWING

**Mr. James Gillies (Don Valley):** Mr. Speaker, I have a supplementary question to the Minister of Finance for clarification. Did I understand the minister to say that the borrowing was made in Germany, that if it had not been it would have been made in Canada, and that the borrowing in Germany has absolutely nothing to do with the value of the Canadian dollar on the exchange market?

**Hon. Jean Chrétien (Minister of Finance):** Mr. Speaker, I said that we are borrowing in foreign markets in order to increase the amount of United States dollars in Canadian reserves. When, through speculation or otherwise, we lose some reserves, the United States money is transformed into Canadian money. We are not losing, we are just transforming United States dollars, through the exchange market, into Canadian dollars. Our cash balance increases by that much, and as our cash balance is higher we are not forced to borrow as much in the Canadian market.

**Mr. Gillies:** Mr. Speaker, I am glad to have that explanation, but it is exactly opposite to what the minister said in answer to the first question. I ask the minister why the government does not borrow from the International Monetary Fund, where the borrowing rate is 30 points cheaper than it is in the commercial market?

[Translation]

**Mr. Chrétien:** Mr. Speaker, we borrow from the International Monetary Fund only when we have exhausted our credit