

That if the Minister of Finance is out walking on Parliament Hill today, he keep his head up so that he does not get run over by a falling truck.

Some hon. Members: Oh, oh!

Madam Speaker: Oral Questions.

ORAL QUESTION PERIOD

[English]

THE ECONOMY

PRIME INTEREST RATE

Hon. Sinclair Stevens (York-Peel): Madam Speaker, my question is for the Minister of Finance. Would he explain to the House why Canada has to live with a 18.25 per cent prime rate, a rate higher than such countries as Japan, Switzerland, Holland, the United Kingdom, West Germany, France, the United States and Belgium—indeed it is twice the rate of places such as Singapore or Spain—bearing in mind the havoc it is wreaking on millions of Canadians from coast to coast?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I think the hon. member is quite aware of the trends of the last short period which have resulted not only in pressure on the Canadian currency but also in a very regrettable rise in the prime bank rate yesterday. Short-term interest rates have been strengthening in the United States. That has an impact on Canada. The United States currency has strengthened against the Canadian dollar and against all currencies. That is the explanation why, at the present time, the Canadian currency and the Canadian prime rate have been affected.

EXCHANGE VALUE OF DOLLAR—LEVEL OF RESERVES

Hon. Sinclair Stevens (York-Peel): Madam Speaker, I have a supplementary question for the Minister of Finance. The minister must be aware of the fact that today our dollar touched the low of 77 cents in relation to the United States dollar. That is 7 cents below where it was when the minister introduced his budget last November. The minister has lost \$1.4 billion in our foreign exchange fund so far during the month of June defending the dollar. This is at the rate of \$100 million for every business day. Would the minister indicate to the House what exactly his strategy is with respect to the Canadian dollar? How does he intend to recover those lost reserves? Is the minister going to back into the lines of credit that were established, or sell off gold that we now hold?

• (1115)

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I think the expression used by the hon. member when he described the use of reserves

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was that they were being lost. The expression has also been used in the House that these reserves have been spent.

Mr. Lawrence: It is a hemorrhage.

Mr. MacEachen: The hon. member knows that what happens is that American dollars are transferred and converted into Canadian dollars. These are added to the cash balances of the Government of Canada. There are no funds lost. There are no funds spent. American dollars are converted into Canadian dollars. I believe that is a very important point for the hon. member to understand.

GOLD RESERVES

Hon. Sinclair Stevens (York-Peel): Madam Speaker, I have another question for the Minister of Finance who must be aware of the fact that he began this month with reserves of approximately \$2.8 billion. He is now left with approximately \$1.3 billion in reserves. How does the minister intend to replenish that loss of funds? Does he intend, as is rumoured, to continue selling off gold, or does he intend to back into lines of credit? Would the minister inform the House whether he is going to try to clear the picture by finally bringing in a new budget at the earliest opportunity so as to get some certainty back into the Canadian business community?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, it is not the intention of the Government of Canada to sell off its gold reserves. As I believe the hon. member knows, my predecessor had established a practice of selling off, as appropriate, certain amounts of gold reserves.

Mr. Gamble: That is good advice.

Mr. MacEachen: But that has not been the practice in an effort to iron out fluctuations in the Canadian dollar. We do have standby lines of credit with the banks and we draw on these as required. I believe the hon. member will agree with me that the use of these reserves for the purposes indicated does not represent a loss. It does not represent an expenditure. It represents a transfer of American currency into Canadian dollars which are added to the cash balance.

Mr. Stevens: Is it a good thing?

Mr. MacEachen: The hon. member is attempting to create the impression that these funds are in some way lost and have vanished into thin air, but that is not the case.

LEVEL OF INTEREST RATES—GOVERNMENT POSITION

Miss Pat Carney (Vancouver Centre): Madam Speaker, my question is also for the Minister of Finance. The average Canadian is so angry at the minister's economic policies that one of them has come to Parliament Hill and placed a truck on a crane outside this chamber right now. The reason, of course, is the increase in interest rates, which means that Canadians