

*Economic Conditions*

**Mr. MacEachen:** The governor of the Bank of Canada has been quite candid in saying that this problem does not originate in Canada. Let me read the two full sentences.

In the present case, the rapid run-up of U.S. short-term interest rates to such high levels is bound to have a major impact on Canada through increases in interest rates here or through a fall in the foreign exchange value of the Canadian dollar, or some combination of the two.

That is the analysis of the governor of the Bank of Canada.

**Mr. Clark:** That is two sentences of his analysis.

**Mr. MacEachen:** The next sentence reads as follows:

The problem does not originate in Canada—

I repeat, the problem does not originate in Canada.

—and the bank has no way of dealing with it that will not affect either the level of interest rates or the exchange rate or both.

That is a fact which was confronted by the ministers of finance yesterday in our meeting. There can be a difference of opinion as to whether we ought to take that pressure on the exchange rate or take it on interest rates. The governor of the Bank of Canada has chosen—I think wisely—to blend the two approaches as well as he can.

I believe he has managed extremely well in this present circumstance. Yesterday after the meeting was over, the minister of finance of Quebec, Mr. Parizeau, said that it was appropriate that we take this pressure on interest rates, and the Ontario minister, Mr. Miller, said that in his view we ought to take it on the exchange rate. Well, I happened to point out both to Mr. Miller and to the hon. member for Oshawa that it is a conceivable policy to look forward to a further decrease in the exchange value of the Canadian currency, a decrease which has been very deep already. The dollar has gone down very recently from about 87 cents to 82.5 cents. It has strengthened today, fortunately. I would ask the Leader of the NDP to reflect upon the very deep impact that a further depreciation of the Canadian currency would have on inflationary pressures in Canada. He recognizes that, but he has made his choice and I disagree with him because I am more afraid of the inflationary thrust which would come from further depreciation of the Canadian currency.

● (2140)

The governor of the Bank of Canada has made a choice, and I support him in that choice because there is no easy way of getting around the unpleasant situation originating in the United States, which the country faces at present. I must say to the Leader of the NDP that it is a bit of an oversimplification for him to talk about Canada following in lockstep with the United States rates. Obviously the United States is the most powerful industrial country. It is closely linked to the economy of Canada because of historical factors, and what happens in the United States is bound to influence what happens in Canada. But the fact of the matter is that at a certain point this summer Canadian interest rates were about two percentage points higher than they were in the United States.

**Mr. Crosbie:** And they will be again.

**Mr. MacEachen:** At present they are three to four percentage points lower than they are in the United States. So much for the charge that we are moving in lockstep with the United States; we are not.

**Some hon. Members:** Hear, hear!

**Mr. MacEachen:** We are managing our own affairs as an independent country, but nobody can conceal the fact that we are part of an international economy, part of a world economic system, part of an international trade and payments system, and there is no way that we cannot be influenced by what happens in the United States.

**Mr. Crosbie:** What about the U.K.? What about Germany and Japan?

**Mr. MacEachen:** I was appalled at the juvenile questions which were put by the former minister of finance in the course of his speech. He asked why the situation is not the same for the pound sterling and the yen.

**Mr. Crosbie:** That is right.

**Mr. MacEachen:** No wonder he is on the other side of the House if that is his understanding of very simple economic facts—

**Mr. Crosbie:** Explain.

**Mr. MacEachen:**—comparing the pound sterling with the U.S. dollar and the Canadian dollar. What could be more juvenile? What would more better illustrate the need for a personal tutor for the hon. member for St. John's West (Mr. Crosbie)? I do not intend to become his personal tutor; I do not have the time to spend.

**Mr. Crosbie:** Try to answer. There is unanimous agreement to having you answer.

**Mr. MacEachen:** That is the situation, Madam Speaker, with respect to the interest rate crunch that we are facing in this country at present. I want to acknowledge the fact that inflation is a very serious problem for the country.

**Some hon. Members:** Oh, oh!

**An hon. Member:** What a profound statement!

**Mr. MacEachen:** You know, Mr. Speaker, I am also prepared to say that I find it increasingly difficult to accept the readiness of the official opposition to take advantage of the courtesy provided to them by members on this side, and when a reply is being made they refuse to listen but are heckling and barracking every time.

**Mr. Clark:** Coward. Answer the question, coward.