

Interest Rate Policy

world trying to impress people with his knowledge of global problems and with his perception of what needs to be done to cure those world problems. Having wrecked Canada, he has now set his sights on the rest of the world.

When the Minister of Finance stops in Ottawa in between Hawaii and Gabon, where he apparently is now, he produces about as much substance as a fog machine. In spite of being in his portfolio for over a year, he has failed so far to produce anything resembling an economic policy. Even that fine Liberal institution, the *Toronto Star*, was forced to conclude about the Minister of Finance and the general state of the economy in its May 2 editorial that, and I quote:

The state of our economy is, in a word, miserable.

Our economic growth is stagnant.

Throughout all this, the Minister of Finance—the man with fundamental responsibility for steering the nation's economy—has been acting like a passive and barely interested bystander.

Then at the end of the editorial the *Toronto Star* said:

The time has come for MacEachen to either begin meeting those responsibilities much more convincingly than he has done so far, or to step aside. At this crucial and difficult point in our economic development, the finance portfolio cannot be merely a place to hide until something more interesting comes along.

With respect to that editorial, at least, I agree wholeheartedly with the *Toronto Star*. I wonder about a Minister of Finance who so glibly and unashamedly refuses to accept his responsibilities, and I wonder about a Prime Minister who seems to care not at all about the economic state of the nation and who occupies his mind on much loftier concerns than the mere jobs of Canadians, the mere payment of mortgages by young people trying to buy homes and mere attempts to maintain small businesses when small businessmen are looking at interest rates of 20 per cent plus. I wonder about the morality of that kind of government. The reality is that this government has no policy. The Minister of Finance really has no policy.

The motion of the New Democratic Party today accuses the government of following a made-in-Washington interest rate policy. To some extent that is true. In fact, based on the performance of the Bank of Canada in the last little while with respect to interest rates in Canada, I think we could disband the bank and replace it with a clerk. We could instruct him once every week to telephone Washington to find out what the interest rates are and then declare that those are the appropriate interest rates for Canada.

But in fact we are not following Washington strictly. We are leading Washington. According to the latest data, Canada now has the highest interest rates of any western industrialized nation. The central bank discount rate in the United States as of May 5 was 14 per cent. As of March 18 in Japan it was 6¼ per cent. As of May 2 in Germany it was 7½ per cent. The latest figure for France is 9½ per cent. That terrible pariah, Mrs. Thatcher of the United Kingdom, has managed to maintain a central bank discount rate of 12 per cent. In Italy the figure is 19 per cent. In Canada today, as we know, it is 19.06 per cent. We have the dubious distinction of not following the United States or any other country but of leading them all. We

have the highest interest rates of any country in the western world.

With the exception of Canada every one of those countries pays the world price for crude oil, so the statement that the Minister of Finance continually makes in this House that we have high interest because of high inflation and high inflation because energy prices have gone up is absolute nonsense. Every one of these countries pays the world price. Japan imports 100 per cent of its oil and gas and has a 6¼ per cent interest rate. It is simply an unacceptable and intellectually dishonest argument for the government to make to say that we have to endure high interest rates because of high inflation which in turn is attributable to high energy prices. The fact of the matter is that every other country in the western world has been able to deal with world energy prices in such a way as to maintain interest rates within those countries at lower levels than in Canada. The only country which comes close to being as bad as Canada in this regard is Italy.

Mr. Evans: And the United States.

Mr. Andre: The Parliamentary Secretary to the Minister of Finance (Mr. Evans) says the United States, yet as of May 5 the central bank discount rate in the United States was 14 per cent.

Mr. Evans: That is irrelevant and you know it. What is the prime rate?

Mr. Andre: The prime rate is 18 per cent, as opposed to 19.06 per cent in Canada. That is as of May 5. The latest figures are published in the May issue of *World Financial Markets*, which is a publication of Morgan Guaranty. Those are the figures I am using. I suppose the Parliamentary Secretary to the Minister of Finance must be living in the same kind of airy-fairy world as his mentor, the Minister of Finance, and must not really be aware of the true situation.

● (1600)

It is tragic in the extreme, Mr. Speaker, that for over a year the Minister of Finance has been in his portfolio and has yet to come up with anything vaguely resembling an economic policy. In fact, the only policy he has now is to let the Bank of Canada pursue its tight money policy. The Bank of Canada has for several years been operating on the theory that if you control the money supply, keep it within certain limits, this will eventually bring down the rate of inflation to that level. Well, that policy has been in place for several years now and during that time inflation rates have in fact climbed, and we now have enough experience to make the empirical judgment that that is a bad policy.

However, Mr. Speaker, one does not need just to make that empirical observation; in fact, examining the policy for what it is raises all kinds of questions about its validity. For example, there is the mere question of the kind of money, if you will, that the Bank of Canada is controlling. Their policy is to control the so called M1, which is currency and demand deposits, within a limit of 5 to 9 per cent and they have now