

**Mr. Crosbie:** That's right. They want to go all the way. My question for the Minister of Finance is this. What advice does the Minister of Finance have for the incoming Reagan administration? What economic and monetary policy does he advise them to take? Does he want them to let monetary expansion grow apace? What does he want to do with interest rates and the money supply? Does he want them to increase their deficit? What advice is he prepared to give the U.S. to direct them as to action they should take? When he tells us that, will he also tell the House, if he is not prepared to take responsibility for some policies himself, whether he and his government will resign and make way for those who will take responsibility?

● (1425)

**Mr. MacEachen:** Madam Speaker, the only value I see in answering the hon. gentleman is perhaps to put before him one or two facts which may influence his thinking. He constantly accuses the government of being responsible for the current situation.

**An hon. Member:** It is.

**Mr. MacEachen:** I would draw to his attention that today in the United States prime commercial rates have been raised to 21 per cent; the equivalent rate in Canada is 17 per cent.

**An hon. Member:** That is until Thursday.

**Mr. MacEachen:** The hon. member knows there is a very close link between capital markets in Canada and in the United States, and that discrepancy, that gap, that differential in interest rates between the two countries, is bound to have an effect on interest rates in Canada and on the exchange value of Canadian currency.

If the hon. member does not accept my analysis, all he has to do is refer to the statement issued last week by the Governor of the Bank of Canada, in whom he had considerable confidence and whose reappointment he recommended, and in that regard I supported him, as did members of our party. In the statement made last week by the Governor of the Bank of Canada, the governor stated that this very problem about which the hon. member is talking and with which the Bank of Canada has been trying to deal in recent weeks does not originate in Canada. I would at least ask the hon. member to try not to confuse the Canadian public by questions which are falsely based and which add nothing to public understanding of what is a very difficult situation that both the governor and the Government of Canada are facing at the present time.

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

#### POLICY RESPECTING INTEREST RATES

**Mr. Bob Rae (Broadview-Greenwood):** Madam Speaker, my question is also for the Deputy Prime Minister and Minister of Finance. I should like to ask him to reflect for a moment on the difference between the statements he has made, and

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again repeated today, in respect of Canada's interest rate policy and statements which have been made by the Prime Minister as recently as December 5. On December 5 the Prime Minister was taking pride in the fact that the Canadian government was following what he described as "an independent interest rate policy", yet both last week in the House of Commons and again today the Minister of Finance has ascribed all of our interest rate woes and policies to those being currently followed in the United States. I should like to ask the minister to come clean on this and simply tell us, is the interest rate policy, currently being followed by the government and by the Bank of Canada, which he supports, an independent interest rate policy which reflects conditions in Canada, or is it a policy which is simply following that of the Federal Reserve Board of the United States?

**Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance):** Madam Speaker, the hon. member obviously knows the answer to that question which in the main is rhetorical. He knows you cannot have a differential of four points in interest rates in Canada and in the United States, when the two capital markets are interlinked, without that influence spreading into Canada. There is no way to avoid that.

● (1430)

To say that, however, is not to say that the Governor of the Bank of Canada and the Government of Canada are not following an independent monetary policy, just as we follow an independent foreign policy, an independent trade policy—you name it. However, all these policies are influenced by forces activated in every other country in the world. I hope I do not have to explain that elementary fact to the hon. member who has just asked the question.

**Mr. Rae:** Madam Speaker, my supplementary question is equally simple and equally non-rhetorical. I would like to remind the minister that on May 27 last the minister said, and I quote:

—when this government took office, the bank rate was 14 per cent; today it is 11.83 per cent . . . That is quite a result.

On June 19 his colleague, the Minister of Industry, Trade and Commerce, said that due to the floating rate policy of the Bank of Canada the rate was coming down. Why is it that when the rates are coming down it is somehow the miraculous result of the policies of the Liberal government, whereas when the rates go up it is because of what is going on in the United States?

**Mr. MacEachen:** Madam Speaker, I suppose one could ask hon. gentlemen opposite why it is that when interest rates go down they disappear from the question period and why they return when they are going up. That would be the question to ask.

**Mr. Rae:** Madam Speaker, the definition of a Liberal is clearly someone who does not even know how to blush because