

INCREASE IN INTEREST RATE—AUTONOMY OF CANADA IN
SETTING RATES

Mr. Bob Rae (Broadview-Greenwood): Mr. Speaker, my question is addressed to the Prime Minister. I realize that being Prime Minister is never having to say you are sorry.

Can the Prime Minister reconcile two statements that he made? The first statement was one he made in this House February 13, 1979, that Canada should not be a follower of the United States interest rate policy, but should be a leader in its own interest rate policy. The second statement of the Prime Minister at that time was that the high interest rate policies of the Liberal government were leading Canada to the most expensive monetary policy in its history.

Could the Prime Minister explain to this House whether things have now changed to the extent that this is no longer true, and how does he reconcile these statements and the statements that were made this morning by the governor of the Bank of Canada and in the House today by the Minister of Finance?

Right Hon. Joe Clark (Prime Minister): Mr. Speaker, the position of the Government of Canada as expressed by the Minister of Finance is that this government has a heavy obligation upon it now to show leadership, which the former government refused to show—

Some hon. Members: Oh, oh!

An hon. Member: You will go to 15 tomorrow.

Mr. Clark: —in dealing directly with the very tough economic decisions that have to be faced. That is the only way, by taking tough decisions now, that we can avoid much more difficult problems for Canada in the future.

Mr. Rae: Mr. Speaker, in one of his "Elliott Ness" statements the other day, the Prime Minister said that inflation was public enemy No. 1. If that is true, will he please explain to the House the logic of increasing energy prices to the world level, the logic of the mortgage interest tax credit of which the Minister of Finance is so proud, and is clearly inflationary, and the logic of high interest rates which the Hon. James Gillies, in his previous incarnation as a critic of the government, said were causing inflation? How does he square the circle which he has presented to the House of Commons these past three weeks?

Some hon. Members: Hear, hear!

Mr. Clark: Mr. Speaker, I should not let go uncontested the suggestion about energy prices which, of course, reflects speculation on the part of the hon. member. Once again, the purpose and the view of this government is that what we have to do, if we are going to restore confidence in the Canadian economy and take serious steps toward reducing inflation and, in time, reducing interest rates, is to face tough decisions now. That is what the governor of the Bank of Canada is recommending. That is the advice with which this government agrees and on which we are acting.

Oral Questions

● (1425)

Mr. Rae: It is the same advice the governor has been giving for a long time, and both of the old-line parties have been following it. I would like to ask the president directly—

Some hon. Members: Oh, oh!

An hon. Member: God forbid!

Mr. Rae: I would like to ask the Prime Minister directly to give the House a clear statement on whether it is the policy of the Government of Canada to restrict credit and cause a recession. If it is, how does he square the circle this time? How does he square that with a statement in the House last week that it is the intention of his government to get the economy working again? How can he do that and have the highest interest rates in Canada's history at the same time?

Mr. Clark: Mr. Speaker, it is the policy of this government to avoid recession in this country, to restore confidence in this country, and to get enough confidence in the economic policies of the Government of Canada that we can begin to move the country toward a reduction in interest rates, a reduction in inflation and a general sense of confidence in not only the strength of the Canadian economy but in the determination of the Government of Canada to deal directly with the tough problems this government inherited from the former government.

Some hon. Members: Hear, hear!

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[Translation]

FEDERAL-PROVINCIAL RELATIONS

CONTRIBUTIONS OF CROWN CORPORATIONS TO PRO-CANADA

Mr. Fabien Roy (Beauce): Mr. Speaker, last October 10, I asked a question of the right hon. Prime Minister concerning the policy followed by the previous government, which was to allow Crown corporations to subscribe generous amounts to the Pro-Canada committee. I should like to ask—

Some hon. Members: Question!

Mr. Roy (Beauce): I understand the nervousness shown by the official opposition about the question. Mr. Speaker, I should like to ask the Prime Minister, who had said then that he would examine the matter and report back to the House, whether he is now ready to inform the House of the decision taken by his government on this matter?

Right Hon. Joe Clark (Prime Minister): Yes, Mr. Speaker. It is the position of the Canadian government that a Crown corporation should not subscribe to a campaign pertaining to a referendum in the province of Quebec. We are now preparing—

An hon. Member: Guidelines!