

years, and that really does not deal with the basic problems we are facing.

What was the next thing this government decided to do? Maybe it could stimulate the economy by handing out a little green paper labelled "one share of Petro-Canada" and worth perhaps \$100 to each Canadian. The government could give away another \$2.5 billion because, of course, it will be giving away the assets of Petro-Canada. The Leader of the New Democratic Party (Mr. Broadbent) said that the government is going to privatize the assets, and that the government is going to assume all the debts of this company. At this point in time the debts are being discharged by the cash flow from the assets—

Some hon. Members: Oh, no!

Mr. McRae: Oh, yes! But that is not the way it is going to happen. The government is going to give away the assets and assume the debts. That is another little \$2.5 billion item. Perhaps that is the way to stimulate the economy without giving a tax break; I do not know.

I would like to deal with another thing the government has brought in, and that is increased interest rates.

An hon. Member: You didn't do that?

Mr. McRae: I will say it again: increased interest rates. There have been three increases in the last three or four months, an all-time high, to something in the order of 13 per cent. I think this was the government which, when it was the official opposition, was condemning us for doing this kind of thing in the past.

There is a very marked difference in the times between when we were allowing interest rates to rise and today. Let me explain that. The difference may be subtle, but it is very important. Perhaps it is too subtle for the government to understand, but when interest rates were rising last year there was a relationship being kept between interest rates and the inflation rate. If the inflation rate was 9.5 per cent and the interest rate was 11.5 per cent, the actual rate minus inflation was about 2 per cent.

When the American inflation rate and our inflation rate were roughly the same and we needed a little difference between our interest rates and their interest rates to bring in capital, we had to keep our interest rates at least the same as, or a little higher than, American rates. However, that is not the situation today, and this is why I think this government does not understand the world in which we are living. Our interest rates today are 4 per cent to 4.5 per cent above our inflation rate.

Miss Jewett: It will soon catch up.

Mr. McRae: The American interest rate is roughly the same as the American inflation rate, so there is a big difference, a spread of about 4 per cent to 4.5 per cent. That is about the interest rate one would find in Switzerland. Now the minister says, "But we have to keep raising our interest rates to keep up

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with the Americans". However, there is a very important distinction between the two times to which I referred earlier. We do not have to keep raising our interest rates if there is a substantial spread between our interest rate and our inflation rate. There is a substantial spread today, and that is why the government should reconsider what it is doing.

We have a major deficit problem. We have a major problem when we raise interest rates. The Canada Savings Bond rate was brought up to 11 per cent. The interest the government has to pay is rising very rapidly. I think the minister used the figure of 15 per cent to 18 per cent. We will have to pay 18 per cent of the government's take to discharge interest charges on government debt. That will be within the next year, and this is the cause of high interest.

High interest rates are having a very bad effect. In addition, very high profits are having a very bad effect on the service part of our current account. I think it was stated by a member of the New Democratic Party that the service part of the account would be in deficit about \$10 billion next year and would leave the whole current account in a deficit of about \$8 billion. That is much more serious, I think, than the internal deficit. Some of these things are affected very severely by high interest rates.

What are we doing with high interest rates? The name of the game is to bring more capital in and eventually to send a great deal more out; borrow more, bring it in, and then have to pay interest on it. I feel that the government has to think very seriously about the times in which we are living and not just respond in traditional ways. It should not just ignore the fact that there is a relationship in most nations today between their current inflation rates and their current interest rates. These are extremely important factors, so I think the government must consider its position carefully.

I am very disturbed that the Minister of Finance comes into this House and brings in a borrowing bill. It is not one of the important bills he should be introducing. He should be bringing in a budget, but he brings in a borrowing bill. The major factor is the high interest rate for which he has been responsible. The governor of the Bank of Canada is not responsible for interest rates; the Minister of Finance is. He may get advice from the governor of the Bank of Canada, but at any time he can stop interest rates from rising.

There was a motion under Standing Order 43 that a committee meet with the governor of the Bank of Canada. The motion was accepted by all concerned, but we on this side ask a very simple thing of the minister. We ask that he appear. As the responsible person dealing with interest rates and with the financial structure of this country he should appear first, not the governor of the Bank of Canada. It was my party, when it was on the other side of the House, which always insisted that our minister be the first one to have anything to do with anything referred to a committee, yet this minister today comes into the House and says, "Well, I will go there some day when I am in town". Now this is the Minister of Finance speaking about what is perhaps the most important committee