

Senator Molgat: But not at the government level then, I take it?

THE ECONOMY

INTEREST RATES—GOVERNMENT POLICY

Hon. H.A. Olson: Honourable senators, in view of the fact that the Canadian dollar has dropped approximately two cents in the last few days, for a variety of reasons, will the government give an undertaking to let the economic factors work, let the dollar find its own level, and not impose ridiculously high interest rates on the Canadian people in order to defend the dollar, as it did the last time?

• (1440)

Hon. Lowell Murray (Leader of the Government): The honourable senator knows that the Bank of Canada intervenes in the marketplace only to ensure that the currency markets function smoothly.

I should say, by the way, that the latest information I had as I came in here today was that the dollar had rebounded quite considerably on international markets. I do not know whether the honourable senator had that up-to-date information when he arrived.

Senator Olson: No. It has been quite a few years since I got that sort of up-to-date information. For that information I am grateful to the honourable minister. It is good news if that has indeed transpired.

Of course, there are some people in this country who believe that the government is directly responsible for what the Governor of the Bank of Canada does. I therefore hope the minister would make representation to his colleague the Minister of Finance, telling him to stay out of the situation. As well, I would ask the minister to inform the Governor of the Bank of Canada that we would like to see a dollar that is based on real economic factors, and not see again these artificial interest rates that landed some people in such dire circumstances the last time around.

Senator Murray: Honourable senators, the Bank of Canada rate, which did increase slightly last Thursday, had undergone reductions in 19 consecutive weeks. I want the honourable senator to understand that.

So far as the distant past is concerned, surely my honourable friend will recall that my criticism was never of the Governor of the Bank of Canada. My criticism was of my honourable friend's government for having created the economic and fiscal position that rendered those drastic monetary steps necessary.

Senator Olson: My criticism was not so much of the Bank of Canada, either. My criticism is that this government has waffled in carrying out its responsibility to act at this time. They do not like what is happening, but they say it is the fault of the Governor of the Bank of Canada. However, we both know that over 30 years ago—in 1961, in fact—it was settled in no uncertain terms that the government cannot escape the consequences of the policies of the Bank of Canada. If they do

not endorse such policies, they know what they can do about it.

I am asking the minister now to carry to his colleague the Minister of Finance the message that Canadians do not want to go through the same severe kind of treatment as they did last time, putting hundreds of thousands of people in this country into bankruptcy, all because this government did not take seriously its responsibility and keep interest rates at a level that was within reason.

Senator Murray: Honourable senators, the record on interest rates in this country speaks for itself. I have already pointed out to the honourable senator that there have been 19 consecutive decreases in the bank rates in recent weeks. I would have hoped that the honourable senator might have applauded, if not the government then at least the results in terms of inflation and interest rates.

As for the relationship between the Bank of Canada and the present government, the honourable senator will be aware that we have jointly set targets for inflation. Because of the support of the fiscal and economic policies of this government, we have more than achieved the inflation targets that we set. Canada currently has the lowest inflation rate in the western world.

Senator Olson: The honourable minister might keep in mind those people who were driven into bankruptcy because, three years ago, prime interest rates rose as high as 14.75 per cent. In fact, there are people who are still trying to dig themselves out of the debt morass they got into because of the actions of this government and its agent, the Bank of Canada.

I would remind this government that Canadians are not a bunch of fools. They can remember what happened three years ago, and they do not want it to happen again. We need a commitment from the government that you will not do that sort of thing again.

Senator Murray: Honourable senators, so long as the present government perseveres in the economic and fiscal policy which we initiated on coming to office in 1984, and so long as we decline to follow the example set by honourable my friend's opposition when they were in government, we will never come even close to having a chartered bank prime in this country of 22.75 per cent as we did in 1981.

Senator Olson: You are kidding yourself if you think the Canadian people will believe you if you blame everything on what might have happened ten years ago. They know that three years ago this government condoned a prime interest rate of 14.75 per cent at a time when no one else in the world did. No other country in the G-7 had interest rates like that.

I am asking at this time for a commitment from the minister that his government do not again intend to commit that kind of offence against the Canadian people. That is my question. It is that simple.

Senator Murray: Honourable senators, few other countries in the world—and certainly few among our competitors—had the unenviable record that this country had under my friends