

be a very long and very painful process. Very grave losses within industry will be possible and, I believe, probable.

It has been said in the government's constitutional paper that it would like to see the mandate of the Bank of Canada being solely that of price stability. I think that is a dreadful mistake. The bank must be concerned with much more than price stability. Surely, it has to be concerned with economic growth, employment levels and balance of payments as well.

I wonder, honourable senators, whether the governor has not sold the government a bill of goods. Has he said, "I will get rid of inflation. Interest rates will stay low. The Canadian dollar will stay high. Imports will be lower priced. Industry will adjust to the competitive environment, and a clearer road to economic success will open up"?

Or, is this the scenario, the scenario that I think is possible? The adjustment, as I said, will be slow and painful. We will experience permanent loss of industries. People will be more inclined, as they are more and more each day, to look north-south rather than east-west. The current account deficit will increase, and the cost of servicing it in terms of foreign exchange will increase. As a result, there will be an unintended devaluation of the dollar to at least its parity pricing level if not beyond. So that the road that presents itself will be one of constrained economic activity causing a reduction in government revenues and a possible decrease in budgetary revenues, and all the consequences that flow therefrom.

The Hon. the Speaker: Senator Everett, according to the rules, I must advise you that your 15 minutes are up. If honourable senators agree to waive the rule, the honourable senator may continue his remarks.

Is it agreed, honourable senators?

Hon. Senators: Agreed.

Senator Everett: That is very kind of honourable senators. I really do not require additional time because I was just finished my speech.

I hope in some way that I have made the case that the government itself should look at the policy of the Governor of the Bank of Canada, and that within that policy there is an opportunity, without departing from proper monetary control, to make the adjustment from \$.88 to \$.80, with all the good consequences that would flow from it.

Hon. Senators: Hear, hear!

Hon. Duff Roblin: Honourable senators, I hope this is a good day to talk about economics because my honourable friend opposite who introduced the motion to which I address myself attempted to analyze in his speech the condition of the Canadian economy. I think his presentation suffered from a defect, at least from my point of view, as it was, to put it mildly, rather one-sided. I say that because the substance of his resolution and his speech was that it is the government's fault and that we are facing a situation of "economic chaos".

Senator Olson: I still believe that.

Senator Roblin: I would encourage him to extend his analysis. I think he can find a better balance because there are

[Senator Everett.]

other players in this field. Let me assure him that there is plenty of blame to go around. We could accept his strictures, perhaps, if they were on a more balanced basis.

Before I get into this gloomy exercise of looking at the problems, I wish to examine a few of the facts of the present situation which, to me at least, are hopeful. There are some positive factors to be found. As we have just been told, inflation is down to 2 per cent at the present time. That is very good. Indeed, the bouts of inflation that we experienced earlier this year were mostly the result of higher taxes, assisted by the impact of administered prices. Interest in the bank prime is now 8 per cent. That has come down in a rather short period of time from 14 per cent. I regard that as dramatic.

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Another factor that is positive for Canada is that the spread between Canadian and U.S. interest rates have been closing. It was 5.5 per cent last year. It is about 2.5 per cent now. It is also a fact that Canadians are out-saving Americans on a two-to-one basis.

Canadian corporate profits reached their bottom, I hope, in the first quarter of this year when they were \$8.6 billion. In the third quarter they have come up to \$13.1 billion. I merely introduce that fact as evidence of progress, not as a figure with which to be satisfied.

The deficit requires some review. In 1984 the deficit was \$38.3 billion, of which no less than \$16 billion was required to pay for what I call groceries, the ongoing normal operating expenses of a government. In 1991 the deficit is estimated to be \$30.5 billion, although I expect it to come in a little higher than that. But in this case there is a \$13 billion surplus on the program account. In other words, there are no funds in that deficit needed to pay for the groceries, as there were in 1984. There has been a switch of some \$30 billion on the right side. I think that is a satisfactory fact for us to reflect upon, as it indicates progress. However, none of us will be satisfied with that as a target.

Budget deficit comparisons between Canada and the United States are interesting because, on the basis of the comparable unified budget balance of the two countries, the U.S. budget deficit is a larger proportion of their gross national product than ours is of our gross domestic product. It is 5.7 per cent in the United States as compared to 3.5 per cent in Canada.

Federal spending programs are part of this mix. The fact is that before one takes into account the cost of paying the interest bill of the deficit every year, from 1984 to 1990 the average increase in program spending has been 3.7 per cent. I do not think there is a country in the western world that can offer a similar figure. In fact, I would be surprised if many, if any, provinces of Canada can say the same. So we see that there has been a very rigorous control and restraint on the regular programs spending of government.

While I am on the topic, perhaps I should offer some comparisons with respect to tax burden, because that is a matter which concerns Canadians, particularly those who live close to the border. According to the OECD, the three levels of