

Supply

Mr. Crosbie: That is what your Leader said.

Mr. MacLaren:—from U.S. pressures by—

The Acting Speaker (Mr. Guilbault): Order, please. The Chair regrets to interrupt the Hon. Minister but his time has expired. Are there any questions or comments?

Mr. Crosbie: Mr. Speaker, I have several questions. The hon. gentleman spoke of the strength of the Canadian dollar. I wonder if he could explain to the House how he can say that there is strength in the Canadian dollar when the Canadian dollar has fallen from over 87 cents U.S. in March, 1980 to its present status of hovering just above 77 cents U.S.? That has been a huge diminution in the value of the Canadian dollar and there are no signs that the pressure is off the Canadian dollar. I wonder if the Minister could explain to us, then, how he can say that we now have strength in the Canadian dollar?

At the same time, I wonder if he could explain to us where he gets the figures relating to our capital account performance. The facts are that we had principal capital outflows of minus \$8.9 billion in 1983, both in direct investment and in the unidentified outflows. The unidentified outflows were \$6.6 billion and the direct investment outflows were \$2.3 billion net, making the total of principal outflows last year \$8.9 billion. There is now and has been over the last six or eight years a major outflow of capital from Canada caused by both Canadians and Americans. How can the Minister pretend that this is not the situation?

Finally, would the Minister explain to me why he thinks the motion is silly when it is based upon a statement that was made by the Prime Minister (Mr. Trudeau)? The Prime Minister said exactly the same thing as this motion says on February 10, 1980. Is the indication that we can be independent of U.S. policy correct when it is made by a Prime Minister who is no longer in office but incorrect when it is made by a Prime Minister who is in office and spends four and a half years bringing in policies that cause to happen the exact opposite of what was said would happen? This motion is based upon a promise to the Canadian people which was made by the Prime Minister, a promise which he has broken repeatedly.

Mr. MacLaren: Mr. Speaker, I shall deal first with the value of Canadian currency versus the United States dollar. The Hon. Member opposite should recognize—and I mean this in all seriousness—that what has happened is that all major foreign currencies have in the recent years, on average, depreciated against the U.S. dollar, including the Canadian dollar. Why is that? In part, it is the result of the situation which I described earlier. We have seen that the United States Government has been running a major structural deficit. We have seen economic recovery occurring in the United States. The combined pressures for borrowing from both the Government and the private sector have driven up interest rates. Money coming from other countries into the United States—foreigners buying U.S. dollars—has meant an upward pressure on the United States dollar. The United States dollar has appreciated against most other major currencies over a fairly

significant period of time, indeed during most of the period of time that the Hon. Member opposite has been talking about. The U.S. dollar has appreciated against the French franc, the U.S. dollar has appreciated against the Canadian dollar, the U.S. dollar has appreciated against the Italian lira, and the U.S. dollar has appreciated against the Japanese yen which is one of the strongest currencies, along with the Swiss franc, in the industrialized world. That is what is happening. The Canadian dollar is no way immune to those pressures any more than the German mark is or the British pound sterling.

• (1240)

With regard to the Member's questions about—and I think he was talking about this—long-term capital inflow into Canada during 1983, I would repeat that there was a net long-term capital inflow in Canada during 1983 of \$2.8 billion. If the Member opposite wishes to have an elaboration of the numbers, I would be glad to send them to him.

The final point which the Member made concerned the statements of the Prime Minister with regard to our ability to have an interest rate policy fully, wholly and totally independent of the United States on the one hand, and, on the other hand, the recognition of the fact that today no such policy can be pursued by any industrialized country. He is trying to set up a straw man and knock it over. In fact, what the Prime Minister said was that we can close to a substantial degree the interest gap between Canada and the United States. If the Hon. Member recalls when the Prime Minister made that statement, interest rates in Canada were running well ahead of those in the United States. But over a period of time we have managed to bring down interest rates in Canada close to the point in which during some of 1982 and much of 1983, certain interest rates in Canada were lower or no more than those in the United States. The differential between Canadian and U.S. interest rates was largely closed. That differential was eliminated and Canadian interest rates were reduced as a result of good fiscal management on the part of this Government.

With regard to the current situation, the Hon. Member opposite knows perfectly well that the interest rates in Canada, as in any other industrialized country, are directly affected by interest rates in the United States. I think this is the third time I have made this point today. I suppose I will have to go on making it because the Hon. Member opposite believes and has convinced himself that somehow with the free and open money markets between our two countries—and we are each other's major trading partner—we can somehow isolate ourselves from interest rate pressures in the United States. That is simply not so. Anyone with an Economics 100 knowledge would certainly understand that elementary principle.

Mr. Lewis: Mr. Speaker, I would like to quote the Hon. Minister to make sure that I have it right. I believe the Minister said: "Interest rates have been maintained at a level which should reassure Canadians about their economy".

I have a very simple question for the Minister. When he made that statement, was he referring to the 22 per cent