

owe \$100,000 on your farm, how are you going to get out of it? You either pay it off or pay the interest. What is happening is that one farm after another is being sunk.

• (1600)

Many people dismiss what is going on in the central bank because it is a matter of high finance and international finance. They cannot understand it, therefore why be bothered. We assume the bankers know what they are doing.

Honourable senators, everyone knows that costs in Canada are higher than in the United States. There is no question about that. Our costs for almost anything that you want to think of, including salaries and wages, are higher. What automatically ought to happen, and what does happen unless there is artificial intervention, is that the value of the currency adjusts to take that into account. I do not pretend to be an expert, but I do know a number of expert economists whom I can call upon. They study these things all the time and they tell me that on economic activity the Canadian dollar should be approximately 75 to 78 cents. Today it is 85 and a fraction because of the intervention of the Bank of Canada. They argue that the reason for that is because they need to keep the value of the dollar up. In whose interest is that? The bankers? I know that it is good for the bankers. I am not sure that it is good for the farmers or the small businessman or the people paying mortgages. I expect that whatever money the bank has out on loans, if the interest rate goes up they receive more earnings.

Senator Flynn: They pay more.

Senator Olson: They pay more also, that is right. On balance, I think they win when interest rates are higher.

Senator Argue: Whenever they need to they up the interest rates.

Senator Flynn: What is the real difference between the rates?

Senator Olson: I do not believe there is any justification for forcing Canadians to pay 42 per cent more interest simply to keep the Canadian dollar at the 85 cent level. Why not let it slip to 75 cents or 78 cents, which is probably where it ought to be, based on the economic activity and the comparable cost of various things in the two countries.

Senator Flynn: Would that change the rate of interest?

Senator Olson: It certainly would. There is no doubt that the Bank of Canada would back off.

I should like to quote from what the Governor of the Bank of Canada had to say when I asked him the question in the committee. He said:

I should correct an impression, Mr. Chairman, and that was, perhaps, left by a question, and that impression is that the Bank of Canada tells banks or any other financial institution what to charge or what to lend. This is certainly not the case. As I pointed out in my opening remarks, the Bank of Canada is neither a regulator nor a supervi-

[Senator Olson.]

sor. What one is seeing in terms of charging by financial institutions in general . . .

We know and they admit that when they change the so-called bank rate every Thursday at two o'clock they expect all the other banks to change their rates also. Most of the time they do. I have to say that recently there has been an excess of liquidity in some areas to the point where the banks have not moved up their rates. In fact, I know of some trust companies that will lend money under prime—a half or quarter per cent under prime.

That is an amazing statement from the Governor of Bank of Canada. I know there is no law that says that the Bank of Canada has the authority to order the banks or other financial institutions to charge whatever rate they wish. They also know that they expect those institutions to follow suit when the bank changes its rate from week to week.

Honourable senators, it is a desperate situation. I hope it changes. The Minister of Finance has the authority, and I believe he has the obligation, to advise the Governor of the Bank of Canada that the interest rates do not need to be 42 per cent higher in Canada than in the United States. The Minister of Finance is not doing that. There used to be a meeting at least once a week to talk about these things. When you know that these discussions are happening, perhaps you have to come to the conclusion that the government agrees with what the Bank of Canada is doing. In fact, on more than one occasion the minister has stated that he supports the Bank of Canada's monetary policy and the interest rates that go along with it.

I have an old-fashioned idea about democracy. People have a right to obtain results from their political managers. If they do not like it they can turn them out of office. The trouble is that an election is three years away.

Senator Argue: In the meantime you have lost the farm.

Senator Olson: That is why I am appealing to you to do something about it now, because the electors cannot get at the government for approximately three years. By that time many good people—good farmers and solid citizens—will have been turned out on to the road allowance. It is happening every day. Senator Barootes knows about that because we have looked into it.

I did not intend to say anything partisan. However, if you do not want to understand the logic and the humanity that is involved in what I have just said, perhaps you will understand the political arguments that are involved. This government and the Government of Alberta are also caught up in it.

The *Calgary Herald* did an in-depth study, because there is an idea going around Alberta that another party called the Reform Party is about to take over most of the support from the Conservatives that is to the right of the spectrum. It says in here that—

• (1610)

Senator Flynn: The resurrection of the Social Credits!