

Mr. Clark: Mr. Speaker, will the Minister of Finance tell us what reasoning led the government of Canada to take the quite unusual step of going public in this matter, rather than making a private borrowing? It may be unprecedented—I have not had a chance to check the record—but why did the government of Canada choose that option, rather than the more normal option?

[*Translation*]

Mr. Chrétien: Mr. Speaker, we have chosen that avenue because we thought it was the best at the moment. If we make a private investment, our options are more limited. We wanted to have different blocks of bonds over various periods of time and we thought it would be easier to operate this way because the investments will thus be more diversified than if they were invested in one or two American institutions.

I also would like to add, with leave of the House, that the interest rates are generally better when one goes public.

[*English*]

GOVERNMENT INTENTIONS RESPECTING FUTURE BORROWINGS

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, my question is for the Minister of Finance. Bearing in mind that we have lost about \$750 million in United States reserves since the end of January, and the minister has indicated he is only proposing to borrow \$750 million in the United States market, would the minister indicate if they intend to borrow still more in some future month?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, when we decide to borrow more, if we decide to borrow more, I will be glad to advise the public and the House of Commons.

Mr. Stevens: Mr. Speaker, my supplementary question is directed to the Minister of Finance. Bearing in mind that it is widely speculated that the dollar may go still lower, with the faint effort put forth by the government in raising foreign funds, bearing in mind that the inflationary impact of the falling dollar is much more severe in Canada than it is in the United States, and bearing in mind that our dollar has fallen 31 per cent in relation to the Japanese yen since October 20, 1976, and 28 per cent in terms of the West German deutschemark, for example, would the minister indicate if he still believes that he will achieve a 6 per cent inflation rate in the current year, bearing in mind the heavy inflationary impact his falling dollar is going to have on Canada?

Mr. Chrétien: Mr. Speaker, I think there is some problem, when the Canadian dollar loses some value, in terms of imports. Imports are increasing, costs are increasing, and it could put some pressure on inflation; I recognize that. But I am not advised to change the forecast for the end of the year. At the same time, I would like to report to the hon. member that I receive telephone calls and telegrams every day from many manufacturers in Ontario who tell me that they like the dollar the way it is at present, because the export position of Canada is improving considerably.

Oral Questions

Mr. Stevens: Mr. Speaker, my final supplementary question is directed to the Minister of Finance. Bearing in mind the consequences of our falling dollar, and bearing in mind that any foreign funds the minister may borrow is simply stalling the inevitable, would the minister indicate what concrete proposals he intends to put before this House to reduce the balance of payment deficit which this country is incurring? By the end of the year it will be \$20 billion that we have lost in foreign exchange. What does the minister propose to do to end this steady outflow of our funds?

[*Translation*]

Mr. Chrétien: Mr. Speaker, we have a floating dollar at present and the level of the dollar is determined by the market. Our interventions in February were made to ensure an orderly floating of the dollar, since it is the responsibility of the Governor of the Bank Canada to do so, and the value of the dollar is fluctuating. We do not know exactly at what level the dollar should be. The market will determine that. The hon. member is always giving the impression that we have huge losses when we are losing American dollars in our reserves but at the same time, we are improving our own liquid assets as it is possible that we will be borrowing less on the Canadian market if we borrow on the American market. I wish the hon. member would not give the impression that we are losing \$700 million, because such is not the case. We have exchanged American dollars for Canadian dollars.

● (1122)

[*English*]

INVESTMENT AND JOB-CREATION PROGRAMS TO IMPROVE ECONOMY

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I have a question for the Minister of Finance. Considering that the steady decline in the value of the Canadian dollar is due to circumstances here, as it is due to circumstances in other countries that are badly managed, namely, an economy that is persistently bad in terms of the rate of inflation and one that has more than one million unemployed, can the minister tell us why he took the \$750 million, costly step that he has taken, instead of bringing forward measures that would lead to higher levels of investment and more job creation in the Canadian economy? Surely that is what the Canadian economy is looking for.

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, we presented a budget on October 20, 1977.

An hon. Member: What budget?

Mr. Chrétien: Or, if hon. members prefer, a mini-budget or economic statement; I am not fussy about words. I have stated the tax incentives we have given to Canadian taxpayers. We have cut taxes for individuals to the tune of more than \$2 billion since the beginning of the year and \$900 million for corporations. These are the most stimulative economic policies put forward by any western country.