

*Oral Questions*

any impact on the prime rate or on the rates consumers are paying for their borrowings in the private sector. The Hon. Member knows that there has been upward pressure on U.S. interest rates in the last several weeks. We have been able to resist comparatively those upward pressures coming from the U.S. In particular in the last week or two, short-term rates, for instance, for government paper, have gone at a rate lower than the current U.S. rate.

The Bank of Canada is watching the situation and is not trying to push up the rates. As a matter of fact, the evidence on the record indicates that the monetary policy pursued by the Bank of Canada is to try to have as low interest rates as possible, but obviously the market is determining what the rates are. We have floating rates, and the market is determining what those rates are.

**Mr. Crosbie:** Madam Speaker, the Minister, as is so often the case, did not answer my question.

## MINISTER'S POLICY

**Hon. John C. Crosbie (St. John's West):** Madam Speaker, the Bank of Canada rate is now the highest it has been since the end of December, 1982, and it has risen every week for the last eight weeks. If that trend continues, there is no doubt the prime bank rate will have to rise above 11 per cent. It has not so far, because of the weak demand for loans. Is it the Minister of Finance's policy to continue to permit the bank rate to rise to prevent depreciation of the Canadian dollar? If that is his policy, and if that continues, as it might because the dollar is now weak, what effect does the Minister estimate that will have on the somewhat spotty recovery? Could the Minister answer that for us, and for the Canadian people who have a vital interest in the situation? There are 1,300,000 unemployed, and they are in a difficult situation.

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, the Hon. Member's question has a double-barrelled hypothesis in it—if the rise in the bank rate continues, and if this and that happen.

**Mr. Mayer:** But it is happening.

**Mr. Lalonde:** Obviously the Hon. Member knows that one should not indulge in speculation on such a basis. The only thing I can tell the Hon. Member is that the Government does not have a policy of artificially maintaining the Canadian dollar at a particular rate or value. For the last ten years we have had a floating rate policy. It has been decided over the years that the best policy for Canada was to pursue that line. This is the policy the Government is pursuing, as it has in the past, and as was the case when the Hon. Member happened to be Minister of Finance for a short time.

● (1420)

## DEPRECIATION OF DOLLAR—STATEMENT BY BANK GOVERNOR

**Hon. John C. Crosbie (St. John's West):** Madam Speaker, my final supplementary question is a very important one.

Cynicism, ballyhoo or manipulation will not keep the dollar up or interest rates down.

Governor Bouey made the following statement in his speech of November 29:

—any major depreciation of the Canadian dollar at this time would be much more likely to damage than to help our economic situation in that it would be strongly inflationary—

Does the Minister agree with that statement of Governor Bouey? Is that government policy? Will the Government act on this statement of principle which the Governor of the Bank of Canada made in his major address of several weeks ago?

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, I have no quarrel with the statement made by the Governor of the Bank of Canada.

## TREASURY BILL RATES IN CANADA AND UNITED STATES

**Mr. Don Blenkarn (Mississauga South):** Madam Speaker, in answer to the Hon. Member for St. John's West, the Minister of Finance indicated that commercial paper was lower in Canada than perhaps in the United States. Could he explain to the House how the Government of the United States was able to sell its treasury bill for at least 90 bases points less than he was able to sell his treasury bills? Was that because of the lack of respect the market has for the Canadian financial scene, or what would he say is the reason that the Government of the United States can borrow significantly cheaper than he can?

[Translation]

**Hon. Marc Lalonde (Minister of Finance):** Madam Speaker, during the last twenty years, it has been common in Canada to have rates that were relatively higher than in the United States. That was the situation that prevailed during the last decades. There is nothing surprising about that.

What I pointed out in my answer to the previous question was that short-term Treasury bills were now at lower rates than in the United States. I would invite the hon. gentleman to refer to the latest figures on the subject.

[English]

**Mr. Blenkarn:** The Minister of Finance cannot have it both ways. He knows—and he acknowledged it this afternoon—that the Government of the United States is able to borrow cheaper than he can borrow and in fact is borrowing very much cheaper than he can. Yet he tries to pretend to the House that government securities in Canada sell for a lower rate of interest than they do in the United States. What nonsense.

## INTEREST RATE POLICY—MINISTER'S POSITION

**Mr. Don Blenkarn (Mississauga South):** Madam Speaker, will the Minister advise the House what kind of interest rate policy he intends to project to the Canadian people? Will he allow interest rates to continue to rise, jeopardizing our recov-