

arithmetic. It is true that the bank rate and the prime rate have come down, but the percentage of difference between the Canadian rate and the United States rate has not changed. In fact, it has become worse.

**Senator Barootes:** It is 2 per cent.

**Senator Olson:** It is two and a half per cent.

**Senator Barootes:** It is coming down.

**Senator Olson:** Foreign capital buying in Canadian dollars or Canadian instruments can now attract about 60 per cent more interest in Canada because of the government's monetary policy. Obviously that will keep the Canadian dollar at an artificially high level in relation to the economic activity that would otherwise support it at whatever level that would be. Most people who study those things think it would be somewhere around \$.80 or slightly less. The intervention of the Bank of Canada and its percentage of increase over interest rates in other countries is what is keeping the dollar up and, consequently, keeping our trade statistics in a very bad position because our exporters are having difficulty. Is that what you mean by "stay the course" also?

**Senator Perrault:** They have had the course!

**Senator Murray:** Honourable senators, my friend is not well informed as to what has been happening in terms of the spread between U.S. and Canadian interest rates. The fact is that the spread has been narrowing, and has narrowed from 5.5 per cent to 2.5 per cent.

**Senator Olson:** Not as a percentage.

**Senator Murray:** I am talking about Canada and U.S. interest rates.

**Hon. Jack Austin:** Honourable senators, I would like to continue this line of questioning. I think it is a simple truth that when capital costs more money in Canada than it costs our neighbor and our largest competitor, Canadian industry and Canadian consumers will not assist in the construction of the Canadian economy. What is happening with the high level of the Canadian dollar in U.S. dollar terms is, as Senator Olson has said, that Canadian consumers are on strike and they are shopping south of the border where cost advantage is offered to them. It will not be very long before the impact of the current situation in the retailing industry is felt in Canadian manufacturing and in the Canadian natural resources sector.

I suppose that the minister is not aware, to take one industry, of the condition of the B.C. coal industry. The B.C. coal industry has lost, in their estimate, something in the order of \$220 million since 1988 as a result of the government's policies with respect to the relationship between the Canadian and U.S. dollars. The B.C. coal industry continues to lose money and if the downturn continues in this same fashion through 1992, I can tell you that the government's policies with respect to inflation management will create a critical structural downsizing in manufacturing, in the primary sector and in retailing in this country. That downsizing is not easily recovered. In fact, it is unlikely to be recovered.

I would ask the minister if the government is considering with the question of stimulating the Canadian economy—one measure being to allow true market action with respect to the Canadian dollar in terms of other currencies—or whether the minister believes that simply by staying the course the Canadian economy can be brought on side?

**Senator Murray:** Honourable senators, I am astonished that Senator Austin believes that the monetary authorities in this country are not following what he calls a true market approach.

**Senator Olson:** They are not, because there is an artificial interest rate.

**Senator Murray:** The fact that the Bank of Canada may intervene from time to time, as it always does, to stabilize the fluctuations that occur because of market conditions does not mean that, essentially, market conditions are not setting the value of the Canadian dollar. Senator Austin has made a speech concerning the coal industry in British Columbia and other matters that would be better made on senatorial statements. Senator Olson asked a question, or referred in the course of a question to our trade and to exports. I have to tell him that exports increased 22.2 per cent in the second quarter of this year. The record is pretty positive in that respect. The honourable senator should study the facts before he makes these doom-and-gloom pronouncements.

● (1440)

**Senator Austin:** I think in fairness, Senator Murray should also take a look at the performance of Canada's current account balance on the import side and note that the net balance has dropped to a negative balance for the first time in many years. That is an issue of some concern. I am saying to Senator Murray that, with respect to the level of the Canadian dollar, it has been the policy of the Bank of Canada, and that is the information I have from economists with whom I have spoken, to ensure that Canada is able to borrow to meet its debt requirements. That is one of the reasons why the interest rate is the prevailing managed rate in this country. I am sure Senator Murray will deny that and say that it is a true managed rate. If he would like to continue that debate, I think we could have some economists come before our banking committee on the subject. I would be delighted if he would propose a motion to enquire into this matter.

**Hon. H.A. Olson:** Ordinary people do not believe you, anyway.

## THE ECONOMY

### EFFECT OF GOVERNMENT POLICIES ON BUSINESS AND EMPLOYMENT

**Hon. Gildas L. Molgat (Deputy Leader of the Opposition):** Honourable senators, it is interesting to listen to Senator Murray give us all these glowing figures. It is unfortunate that the unemployed people in Canada do not have the same view as he, and I think their view is the correct one.