

● (1740)

It is very seldom that issues are so clearcut in the making of an economic policy—where decisions can be made so clearly one way or the other. But this is one of those occasions. We are at a crossroads in the sense that the government is dedicated to the proposition that in order to hold the dollar at its present level it has to go to high interest rates. Some people who are highly thought of have suggested that we could hold the dollar where it is without the high interest rate costs. That proposition should be examined.

Much is made of the point that the falling dollar has helped our exports and, of course, it has. But the fundamental question of how much more our exports are helped by an 83-cent dollar than by a 90-cent dollar has not been answered, and that is another very important question. Would exports be helped even more by a 70-cent dollar? The choice is between inflation from devaluation and the trade gains made from it. Clearly, if going from 90 cents to 83 cents hardly expands exports at all, it is not worth while because it brings too much inflation. There has to be an optimum rate at which the dollar will float given an appropriate monetary and fiscal policy. We have to find that out, and that is why we must have a reference to a committee and a proper debate.

Some hon. Members: Hear, hear!

Mr. Alan Martin (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the motion that is before the House today by the Leader of the Opposition (Mr. Clark) should perhaps have the subtitle, "Another Request for a Fishing Expedition." I think we are all aware that there have been enough Tory fishing expeditions on this subject in recent months and they have all been scuttled.

The Minister of Finance (Mr. Chrétien) and the governor of the Bank of Canada have both appeared before the Standing Committee on Finance, Trade and Economic Affairs whenever asked by that committee and by the steering committee to appear. The official opposition has been trying to make a story out of this by insinuating that there has been resistance or objection to having the governor of the Bank of Canada appear before that committee. There has never been any such resistance. As soon as the steering committee made the request last week, arrangements were made within 24 hours for the governor of the Bank of Canada to appear. When the hon. member for Don Valley (Mr. Gillies) indicates that there has not been proper testimony before that committee, then I think the things that the governor of the Bank of Canada said that day should be restated.

I might say that all five financial critics of the opposition were present that day. It was a prestigious occasion. It was the first time that all five critics had turned up at one meeting together.

Mr. Alexander: We have five; you have none.

Mr. Martin: In diversity, I suppose there is sometimes strength. They are the "variety club."

Currency Devaluation

I think some of the things that the governor of the Bank of Canada said that day were very important. I should like to quote one or two comments from his opening statement when he said:

The substantial depreciation of the Canadian dollar that has now occurred, together with an improved performance to date in controlling our domestic costs, has re-established Canada's competitive position at least for the time being.

I think that was an important statement and, if anything, it supports the kind of government policies that have been in place.

An hon. Member: Read the rest of it.

Mr. Martin: I do not have time to read it all. The hon. member was there. He is one of the financial critics. The hon. member for St. John's West (Mr. Crosbie) has joined the variety club.

On that day the governor of the Bank of Canada also said:

—more exports, more import replacement, a lower current account deficit, less dependence on foreign capital, more output, more jobs, even higher government revenues and lower government deficits than we would otherwise have. I cannot think of a more attractive way to move our economy forward.

That is not a statement of this government per se but is a statement by the governor of the Bank of Canada made before the committee within the last week.

I could go on and on, Mr. Speaker. The hon. member for St. John's West would like me to read the entire statement of the governor, but I think that would just further deflate any points members of the opposition might want to bring forward in this debate. I will simply quote one or two other points. He said:

Conversely, anyone who feels that the objective of monetary policy should have been to halt or reverse the decline in the exchange rate before it had gone nearly so far as it has is advocating that we should have pushed up interest rates a good deal further and faster.

I am not sure if the hon. member for Don Valley or other members of the club over there are in favour of further, higher interest rates than we now have, but the governor of the Bank of Canada has made it abundantly clear that were we to halt artificially the decline of the dollar if that is the direction it happens to be going in at a particular time, it would mean much higher interest rates than currently prevail.

The governor went on to say:

It would be a mistake, however, to suppose that the effect on expectations of a "hands off" policy would not be more serious, since such a policy would create the impression that the authorities do not care about the exchange rate and this in turn would arouse widespread fear and concern.

A couple of lines later, he said:

I might add that a similar view is shared by the authorities of other nations as a result of their experiences in recent years.

That shows what the governor of the Bank of Canada has been proposing and government policies have been very supportive of this course of action, and the experience of other industrialized nations has led them to follow the same route when faced with similar problems.

I should like to deal with a point made by the hon. member for Oshawa-Whitby (Mr. Broadbent) who continues to put before the people of Canada what he put before the finance