

Oral Questions

The Bank of Canada rate has just gone up to 10.20 per cent, indicating that interest rates may go up shortly. In view of these statements of the Minister, and because we have had a policy for eight or ten years where it has been necessary for interest rates in Canada to be high to support the dollar, I ask the Deputy Prime Minister whether it is now official policy that the Canadian dollar can depreciate despite the inflationary pressures that would bring, and is it now Bank of Canada policy to allow interest rates to find their own level quite independently of what effect this will have on the value of the Canadian dollar?

Hon. Allan J. MacEachen (Deputy Prime Minister and Secretary of State for External Affairs): Mr. Speaker, the Hon. Member knows that for quite some years now the dollar has been responding to a number of forces in the market. It has not been the policy of the Government or the Bank of Canada to intervene to alter the fundamental trends in the value of the dollar. I share the view of the Minister of Finance that this present development is not a matter for alarm. We have had two experiences recently when the dollar dipped below 80 cents on the market. I do not see anything new or worrying about this development at the present time.

INTEREST RATE LEVELS

Hon. John C. Crosbie (St. John's West): Mr. Speaker, it is too bad the Deputy Prime Minister cannot answer a question when it is on such an important matter. If the Canadian dollar sinking to under 79 cents does not matter, if the impetus that this gives to inflation does not matter, if the fact that that keeps interest rates high does not matter, why did the Government permit interest rates to go to 21 per cent and 22 per cent just a year ago? Why are they as high as they are today, if none of this matters?

Is the Minister of Finance speaking for the Government when he says that interest rate levels in Canada from now on are going to have nothing to do with the value of the Canadian dollar? Are interest rates going to be permitted to go wherever they might, without worrying whatsoever about the effect on the value of the dollar? That is my question. That is what your Minister said.

Hon. Allan J. MacEachen (Deputy Prime Minister and Secretary of State for External Affairs): Mr. Speaker, I doubt very much whether the Minister said any such thing. I cannot see that the Minister would make a comment which the Member interprets as a declaration that there is absolutely no relationship between the value of the exchange rate of the Canadian dollar and existing interest rates. We both know that there is an interaction, but it is not the only interaction.

Every time the value of the Canadian dollar changes, it is not necessarily linked to interest rates. The Hon. Member knows that. When he is asking this question, he is obviously misinterpreting what the Minister of Finance said. I am sure that no Minister of Finance would ever say that there is no relationship whatsoever between interest rates and the

exchange value of the Canadian dollar at any time in any circumstance.

GOVERNMENT POLICY

Hon. John C. Crosbie (St. John's West): Mr. Speaker, I am looking at the March 7 *Globe and Mail* where the Minister of Finance is quoted as saying: "Interest rate levels in Canada have nothing to do with the value of the dollar." It is in black and white, not denied by the Minister. He should not be Minister of Finance, according to the Deputy Prime Minister. It is here in black and white. I know that the Deputy Prime Minister did not set a glorious record for his successor, but his successor has plunged even deeper than the Deputy Prime Minister.

● (1420)

On October 19 the Minister of Finance said that within six months interest rates in Canada would drop by another two to three percentage points. That was five months ago. That is the kind of prophet he is. As well, he said that Canada could respond very quickly to lower U.S. interest rates if inflation remains low and the value of the Canadian dollar stays steady at its current 81-cent or 82-cent range here in Canada.

Mr. Speaker: Would the Hon. Member ask his question?

Mr. Crosbie: In view of that, how can the Minister and the Government now adopt a policy that says that our interest rate levels will go wherever they like without having any effect on the Canadian dollar, and they will do nothing to prevent this from having an effect on the Canadian dollar?

Hon. Allan J. MacEachen (Deputy Prime Minister and Secretary of State for External Affairs): Mr. Speaker, I just told the Hon. Member that that is not the policy of the Government of Canada. May I repeat to the Hon. Member that, if that is his fear, then his fear is unjustified. He ought to know that in addition to interest rates there have been quite marked changes, not only in the value of Canadian currency but in the value of the United States dollar, and in the value of European currencies. That does not have very much to do with interest rates in Canada at the present time. The Hon. Member ought to know that.

STATEMENT MADE BY BANK OF CANADA GOVERNOR

Hon. Ron Huntington (Capilano): Mr. Speaker, it is very hard to supplement a lead question when we get the kind of answers we have been getting from the former Minister of Finance who is presently the Acting Deputy Prime Minister of Canada. I am really confused, Mr. Speaker, as is everyone else in the Chamber, regarding just what the financial policy of the Canadian Government. Where does it stand in light of the Governor of the Bank of Canada's statement of November 29, 1983, which reads as follows:

—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