

REQUEST FOR CHANGE IN GOVERNMENT POLICY

Hon. Edward Broadbent (Oshawa): Madam Speaker, considering that other countries are able to have lower interest rates, not simply because they do not have the same proximity to the United States as we do, but because they primarily have sound economic policies provided by their governments for their people to create business confidence, why does the Minister of Finance not duplicate that? In short, why does he not announce that there will be a major new direction in government policy in Canada by the end of next week at the latest, and restore some international confidence in the Canadian economy?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the hon. member is correct in saying that there are some countries that have lower prime rates than Canada. The two notable cases which he could bring to mind, of course, are Japan and the Federal Republic of Germany.

The reason in both cases is that they have been able to establish inflation rates much lower than Canada's. The hon. member knows that, and must understand that it is a basic fact of life. Further to that, he understands as well that there is quite a difference in the relationship between Canada and the United States. The size of our trade account and the size of our capital flows with the United States are very large indeed in comparison to any of these other countries.

We have benefited in the past from our economic relations with the United States. We have benefited from that very large market, and in these circumstances we are being harmed by that very same source because of the extraordinarily high real interest rates in that country and the impact that this has on our capital markets and on our currency. That is the point that has to be understood. These rates in the United States, as Mr. Brock said this past week, are tragically high. They are holding back recovery in the United States and in Canada. That is the difference between our situation and that of the other countries to which the hon. member makes reference.

ROLE OF RESEARCH AND DEVELOPMENT

Hon. Edward Broadbent (Oshawa): Madam Speaker, since the two points that the minister has just made are indeed inextricably related and should show the Government of Canada the reason for change, I would ask him to consider that it is true that West Germany and Japan have had lower inflation rates but the reason for this is that they have had an industrial manufacturing strategy policy for years which has emphasized research and development. They have put emphasis on creating a first rate manufacturing sector. Why does the Government of Canada not duplicate that instead of selling off resources, getting us into more debt in the short run in that line?

Second, considering the minister's reference to the United States, I, too, agree with what he said. We have carried on

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major trading with the United States, but considering that that trade has resulted in massive, billion dollar deficits with the United States in manufacturing goods, which has caused the drain on the dollar, why does the Government of Canada not move to redress that imbalance which would produce a better value for the Canadian dollar and more jobs for Canadians?

• (1130)

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker—

Mr. Nielsen: Do you understand the question?

Mr. MacEachen: Madam Speaker, the hon. member has raised a number of points—

Mr. Broadbent: Yes, in reply to yours!

Mr. MacEachen:—and I have no complaint about that. I believe the hon. member has accepted a good part of my analysis of the situation.

Mr. Broadbent: But want some action to get out of it.

Mr. MacEachen: Madam Speaker, yes, he has related a better performance in the Federal Republic of Germany, for example, to its insistence or emphasis on research and development, as I understood the question. I have no intention of dismissing that as an important factor, because the Government of Canada is also placing a very strong priority on research and development.

Some hon. Members: Oh, oh!

Mr. Broadbent: Who are you kidding?

Mr. MacEachen: But when I listened to the Chancellor of the Federal Republic of Germany at the Summit, a friend of the hon. member for Oshawa—

Mr. Lawrence: And of your own Prime Minister.

Mr. MacEachen:—his explanation, as I understood it, for the strong performance in the Federal Republic of Germany at the present time was the restraint demonstrated by the trade unions in their wage settlements.

Some hon. Members: Hear, hear!

Mr. MacEachen: I think it is worth telling the hon. member, in the interest of dialogue, that the Chancellor pointed out to us that the largest industrial union in the world, the German Metalworkers, recently made a settlement lower than the rate of inflation in an effort to bring the rate of inflation down further, in that country. But I believe that is a very important element in any economic policy. I ask the hon. member, does he subscribe to the belief that in the present circumstances wage settlements and income demands, not just those of workers but of those in all sections of society, including managers, executives and businessmen, in order to get us out of this difficulty, ought to be restrained and that those people