

QUESTION PERIOD

NATIONAL FINANCE

CONTINUANCE OF MONETARY POLICY—GOVERNMENT POSITION

Hon. H.A. Olson: I have a question for the Leader of the Government in the Senate. Can he give us a complete explanation of what "stay the course" means? The Minister of Finance has been saying that for several weeks; in fact, he said it again yesterday. I wish to know whether that means we will continue with the monetary policy that has led us into the worst depression that Canada has had in 50 years?

Hon. Jean-Maurice Simard: How can you be so partisan just before Christmas?

Senator Olson: I am just stating facts. Does the government really believe that to "stay the course" will bring Canada out of this current economic depression?

Hon. Lowell Murray (Leader of the Government): Honourable senators, my friend is inviting me to make a statement which would take much longer than is normally permitted on an oral question, but perhaps I could give him a few highlights of the government's economic and fiscal policy—

Senator Perrault: Or more like low lights.

Senator Murray: —in which we are persevering because of the excellent results that have been shown. Let me simply mention that the course we set in economic and fiscal policy for this country in 1984 represented quite a change from the policies of our predecessors.

Senator Perrault: It is going straight down now.

Senator Olson: It has gone straight down ever since.

Senator Murray: For example, in the 15 years prior to 1984, program spending by my friends opposite increased by 14 per cent every year for 15 years.

Senator Perrault: Tell us about unemployment.

Senator Murray: During that period of time, the debt in Canada increased by 1,100 per cent. That was a course that had to be changed.

In the last six years, as I have told the honourable senator on many occasions, program spending by the federal government has increased at an average annual rate less than inflation of 3.6 per cent. That represents a change in course which is helping to bring inflation down; which is helping to—

Senator Perrault: You are bringing the country down; that is what you are doing.

Senator Murray: —bring interest rates down, which is creating new investment in the Canadian economy. That is an economic course in which we are persevering.

Let me remind the honourable senator that 10 years ago when he was in office, and partly responsible for economic policy, short-term interest rates were 18.8 per cent.

Senator Olson: For a very short time.

[Senator Hays.]

Senator Murray: Today they are about 7 per cent and declining. That is the course on which we have put Canada and that is the course in which we are persevering with the results that the honourable senator knows.

The honourable senator bitterly fought the Free Trade Agreement. I just want to mention to him that since the Free Trade Agreement was brought in there has been a net inflow of foreign investment in Canada of some \$4 billion—

Senator Perrault: And an outflow of jobs.

Senator Murray: For the first time in 15 years there is that type of net investment flowing into Canada creating the new jobs that Canadians need. When we say—and Mr. Mazankowski says—that we intend to "stay the course", that is the course that we are persevering in to the great benefit of Canada and Canadians.

Inflation is dropping, interest rates are falling, the economy is on track for what the International Monetary Fund says will be the strongest economic growth among G-7 countries in 1992. That is what we mean by "staying the course".

Senator Olson: There are more questions. As usual, the minister has displayed his great talent for giving a reply but no answer. He did not even answer the question I asked him.

Does "staying the course" mean that you will continue the monetary policy that has driven bankruptcies in Canada to their highest level?

Hon. Efsthios William Barootes: And in the United States and in Europe and in Australia? Did we cause all that, too?

Senator Olson: There is some noise here. I want to ask the minister seriously—if Senator Barootes can contain himself for a minute—whether or not the government means by "staying the course" that it will continue with the monetary policy that it has been following insofar as interest rates are concerned and the consequent influence that that has on the Canadian dollar?

For example, the minister has said on many occasions that the Canadian dollar can find its own value according to market conditions. Yesterday, because of whatever was happening in the market, the Canadian dollar began to decline and the Bank of Canada intervened to buy significant quantities in order to keep it from dropping. Do you intend to stay on that course, too?

Senator Murray: Honourable senators, the Honourable Senator Olson will have seen the statement by the Governor of the Bank about the reasons for the intervention of the bank on the occasion to which he refers.

The honourable senator talks about monetary policy; it is a large subject. He asked whether we intend to stay the course. He asked what the results have been. Let me give him one statistic: The prime rate today is 8 per cent, the lowest in 18 years. Yes, we intend to stay the course.

● (1430)

Senator Olson: Honourable senators, I want to ask one more question. I wonder if the minister could do a little more