

Oral Questions

At the time he made these objections, the minister said they were cautiously optimistic. Of course, in light of what is happening, they were recklessly optimistic. Will the minister tell us whether he will be changing his projections? Does he agree with the projections of the Economic Council of Canada? What action is he going to take to try and reverse this loss in purchasing power and standard of living for the average Canadian wage and salary earner in this country?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I am grateful to the Economic Council of Canada for providing a further set of projections which can be useful for the purpose of analysing onward trends in the Canadian economy. On the basis of the projections to which the hon. member refers, and which I have not yet had a chance to examine, I have not decided to launch any new programs or change any budgetary measures.

Mr. Crosbie: Ten months of inactivity, Madam Speaker. Let us not talk of trends. Let me give the minister present facts. At the moment the Canadian dollar is trading at 83.33 cents to the U.S. dollar. We are approaching our all-time historic low. Retail sales seasonally adjusted for October were down 1 per cent—not up as they should be around Christmas—led by autos. There is a drop in sales of automobiles of 7.7 per cent in real terms. We have a situation where the Conference Board of Canada reports that 47 per cent of businessmen expect price inflation in the next six months and 49 per cent expect the same inflation rate. Obviously the government is not impressing anybody with its inflation battle. Do not get excited or frenzied, gentlemen; just wait for me to finish my questions.

● (1420)

Some hon. Members: Hear, hear!

Mr. Crosbie: In view of these facts—not trends but actual facts which the Canadian people are becoming frenzied and anxious about—what action is the minister going to take to reverse this deplorable economic condition?

Mr. MacEachen: Madam Speaker, the hon. gentleman has listed a whole series of economic indicators, each of which require considerable analysis to reply sensibly to the question. Let me make two points. It is a fact there is pressure on the Canadian dollar because of the very wide differential which exists between short-term interest rates in Canada and in the United States. Today, for example, the prime rate in the United States is up to 20 per cent and the equivalent rate in Canada is about 15.5 per cent. In those circumstances, and in view of the relationship which exists between our respective capital markets, it is not surprising there is considerable pressure on the Canadian dollar.

The hon. member asks me what I intend to do at the moment. I certainly do not intend to bring in any form of controls, which is the only direct approach one could take to overcome the influences from the U.S. capital market.

Mr. Crosbie: Madam Speaker, the minister is a perfect illustration of the fact that misery loves company. The only

comfort he can give is that interest rates are higher in the United States. Well, ours will be higher later in the week. By the way, there are solutions other than wage and price controls. For instance, we could have a government the people are convinced intends to fight inflation. That is one example. The famous American economist, Otto Eckstein, has said this:

The collision between a stubborn inflation and moderate money supply targets is producing interest rates that will stop the economy's growth in early 1981.

Mr. MacEachen: Who is Otto Eckstein?

Mr. Crosbie: He was the chairman of the council of economic advisers to the U.S. president. Naturally, the minister would not have heard of him. Who has he heard of? Otto Eckstein said this collision is producing interest rates that will stop the economy's growth in early 1981.

Some hon. Members: Oh, oh!

An hon. Member: Take your time, John. Wait till those yahoos quiet down.

Mr. Crosbie: Would the minister please ask his colleagues to be quiet?

Would the minister advise the House whether he agrees with this general forecast of economists and whether the economy's growth will be stopped in early 1981 by high interest rates? Does he agree or not agree?

Mr. MacEachen: Madam Speaker, it is not my practice to be put in the position of agreeing with every possible opinion expressed, even by a former famous economist in the United States—

An hon. Member: To a former president.

Mr. MacEachen:—and especially a question addressed by a former finance minister. There is too much "former" in all of that for my taste. It is much too early to accept the hon. member's source or his question, because nobody at this time can foretell with any accuracy or precision the movement of interest rates over the next several weeks, let alone the next several months.

● (1425)

INQUIRY RESPECTING ASSISTANCE TO LOW-INCOME
CANADIANS

Hon. James A. McGrath (St. John's East): Madam Speaker, I can assure the House and the government that this is no laughing matter. I would like to direct a question to the Minister of National Health and Welfare. Last Friday the Prime Minister advised Canadians that if they wanted to maintain the same amount of food on the table, they should cut their spending in other areas. According to the latest Statistics Canada figures, low-income earners in this country spend 82.6 per cent of their income on food, shelter and clothing, which is significantly higher than the definition of poverty of Statistics Canada, which is 62 per cent of one's income spent on food, clothing and shelter.