

Oral Questions

governor is doing and would prefer to see him do something else?

Mr. Crosbie: Mr. Speaker, I think the hon. gentleman should consult with my predecessor as minister of finance, who explained the relationship between the government and the governor of the Bank of Canada some months ago.

The position is that the governor of the Bank of Canada consults the Minister of Finance. He consults me weekly. When something comes up that requires action by the Bank of Canada, he informs me of what action he believes he should take. We can then discuss what action I think he should take. I can agree, or discuss it. I might even question it. Then he makes his own decision on what action he is going to take.

In connection with the three recent interest rate increases, I have concurred with the governor of the Bank of Canada in his decision. There has been no conflict between us. We have consulted, and we have not always slavishly followed the increases as the last minister of finance did on at least seven occasions in the last year and one-half.

Mr. Trudeau: Three in five months!

INTEREST RATES—GOVERNMENT DIRECTION OVER GOVERNOR
OF BANK OF CANADA

Mr. Edward Broadbent (Oshawa): Mr. Speaker, I have a question for the Minister of Finance. He has just said that he and the governor of the Bank of Canada have reached agreement on three occasions to raise interest rates. Just before the election, he and his Prime Minister, then the leader of the opposition, were denouncing interest rate increases time after time. Since we have now had the greatest collapse in stock market prices in the Toronto Stock Exchange—

An hon. Member: How would you know?

Mr. Broadbent:—since 1929, and since small businessmen are paying up to 17 per cent to borrow money, and everything indicates that we are heading into a depression, I should like to ask the minister if he knows that he has the authority under the Bank Act to direct the governor of the Bank of Canada to adopt a different policy, perhaps in line with the kind his party argued for before the election.

Hon. John C. Crosbie (Minister of Finance): Mr. Speaker, the Leader of the New Democratic Party is following his usual procedure of shedding crocodile tears about what happens on the Toronto Stock Exchange. What happened on the Toronto Stock Exchange was that there was a lot of speculation, particularly in oil and gas shares, and people are taking their profits now.

With respect to the policy of the Bank of Canada, I want to try to explain this to the Leader of the New Democratic Party. What was objected to by us with respect to the previous government's performance was their economic performance that resulted in their being put in a position where the Bank of Canada had to approve interest rates caused by the fact that

[Mr. Gray.]

they had allowed our economy to degenerate with a huge deficit, with the balance of payments and the like. Our criticism was of the economic action of the government which had caused these interest rate increases, not the interest rate increases themselves. They are only a symptom of what had been permitted to happen by the last government.

[Translation]

Mr. LeBlanc (Westmorland-Kent): You have been the government for the past six months!

[English]

RESPONSIBILITY FOR MONETARY POLICY

Mr. Edward Broadbent (Oshawa): Mr. Speaker, I have a final supplementary question to the Prime Minister who, in that position, was doing just the opposite of what the Minister of Finance has alleged. I quoted the Prime Minister yesterday and made it very clear that as leader of the opposition he was opposed to the policy of increasing interest rates because of its damaging effects on the people of Canada.

There was no question about that before the election. Since he has the legal authority, as Prime Minister, to direct monetary policy, I should like to ask him who is determining monetary policy in Canada—the governor of the Bank of Canada, or he as Prime Minister? If he believes there should be a change in interest rate policy, why does he not use his authority and leadership to bring it about?

● (1125)

Right Hon. Joe Clark (Prime Minister): Mr. Speaker, the Minister of Finance has explained to the Leader of the New Democratic Party and to the House the relationship, which the Leader of the New Democratic Party should have known, between the government and the governor of the Bank of Canada. The Minister of Finance has also indicated that what we took exception to prior to the election, and what we take exception to now, is the state of the Canadian economy created by years of ineffective leadership by the government which the people of Canada replaced.

Naturally, we do not like high interest rates. What we are working toward now, as I indicated yesterday in my speech in this House and as other colleagues of mine have indicated frequently in this House and in the country, is an improvement in the economic situation in Canada which will allow the governor of the Bank of Canada to recommend policies of lower interest rates, which this government will certainly support when that recommendation is made.

Mr. Broadbent: Mr. Speaker, I have a final supplementary question. The Prime Minister said in this House in February: "There is nothing less sensible than the government's"—please note—"determination to increase interest rates to record levels."

Considering that his Minister of Finance has just acknowledged—he is, I think, in the government; I think he is there—that he agreed with the interest rate increase three times this