

signalling the presence in our gallery of a very distinguished visitor and welcoming the first official visitor and leader of a delegation from Spain since the very recent passage of their new constitution, one of the principal architects of that new constitution and the President of the Cortes and of the Council of Realm, Dr. Hernandez Gil.

Some hon. Members: Hear, hear!

ORAL QUESTION PERIOD

[English]

THE CANADIAN ECONOMY

POLICY RESPECTING VALUE OF CANADIAN DOLLAR

Mr. James Gillies (Don Valley): Mr. Speaker, my question is directed to the Minister of Finance. Given the fact that the bank rate has now gone to its highest point in Canadian history, and there is general agreement that this will cause greater unemployment and more inflation, I should like to ask why, when there were other policy options, including allowing the dollar to float, the minister did not choose to allow the dollar to float?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, I think I have replied to that question. The governor of the Bank of Canada made a recommendation to me to the effect that in order to keep the Canadian dollar stable in relation to the difference between the interest rate in the United States and the interest rate in Canada, we had to increase the bank rate by one-half a point, and I did not disagree.

Mr. Gillies: Mr. Speaker, given all these facts, including the traditional relationship between the Canadian and the United States economy, with their unemployment rate around 5 per cent and ours around 8 per cent—the differential is usually only about 1 per cent—could the minister be more explicit in saying why he rejected, or turned away from the traditional policy of allowing the dollar to float?

The reason one allows the dollar to float is to allow the government to operate a domestic economic policy that is appropriate for the times in one's own country. If there was ever a policy that seems to be wrong for the time, it is one of raising interest rates. Why did the minister move away from using a floating dollar as a way of permitting the government to follow a domestic economic policy which would be appropriate for the country at this time?

[Translation]

Mr. Chrétien: Mr. Speaker, I reiterated in my answers that according to our monetary policy and to our policy of floating exchange rate, the interventions of the governor of the Bank of Canada were designed to see that the market operates normal-

ly and that the fluctuation is not so abrupt as to cause a disastrous effect on the level of inflation in Canada.

● (1417)

[English]

Mr. Gillies: Mr. Speaker, it seems to me that the Minister of Finance has missed the entire point. If a country has a policy of a floating exchange rate, it has that policy so that it can do domestically what it needs to do. Will the minister tell the House, quite directly and irrevocably, whether the government has rejected the policy of a floating exchange rate, because if it has, it makes no sense whatsoever to follow the policy the government is following with respect to interest rates?

Mr. Chrétien: Mr. Speaker, the Canadian dollar is a floating currency and therefore its exchange rate varies in the marketplace from day to day. The intervention by the banks is made according to the policy I outlined a few moments ago.

Mr. Gillies: Mr. Speaker, I do not know how to raise this question more directly, but an answer such as the minister gave is just incredible. A floating exchange rate is used by a country so that it can follow its domestic economic policies. Is the minister telling the House that he has a floating exchange rate, but still is not willing to follow a corresponding economic policy for the nation?

Is the minister saying, today, that the policy of the Government of Canada is to float the exchange rate, but at the same time it is to have high interest rates in the face of high unemployment and high inflation?

Mr. Chrétien: Mr. Speaker, I cannot add much more to what I have already said. The Canadian dollar is a floating currency. Intervention by the Bank of Canada is to make sure that fluctuation in the market occurs in a rational fashion and is not so abrupt as to cause too much inflation in the Canadian economy.

ECONOMIC POLICIES—REMARKS OF MINISTER OF INDUSTRY, TRADE AND COMMERCE—RATE OF ECONOMIC GROWTH

Mr. John C. Crosbie (St. John's West): Mr. Speaker, my question is to the Prime Minister. Yesterday, the Minister of Industry, Trade and Commerce said, as reported in the *Globe and Mail*, that the economy is ready to move ahead. He said the Canadian—

—economy is posed to move ahead strongly "if our biggest purchaser, the United States, can only get its economics right." He did not elaborate.

Would the Prime Minister advise the House whether he intends to send the minister to the United States to advise them on their economic policies, and would he tell us which of the Canadian policies have been so successful that the United States will be advised to adopt them to get their economics right?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, there is no need for the minister to go to the United States.