

not the obsession of the Government of Canada, at least a primary goal. It was claimed that steps to reduce the deficit would have a profound effect in increasing confidence in the management of Canada's finances and in restoring the investment climate in the country.

Well, it is interesting to recall the events of the last few days, because the country has gone through a very deep exchange crisis. The Canadian dollar pierced the 70 cent level and the Minister of Finance and the Governor of the Bank of Canada had to undertake huge borrowings and operations in the financial markets. The Governor of the Bank of Canada himself has stated before the House of Commons committee that the actions were unprecedented. He stated that in his experience nothing like this had happened before, or words to that effect. I remind honourable senators what the Governor of the Bank of Canada said before the committee in explanation of the cause of the exchange crisis. He said:

Most of the problem on this most recent occasion has been the spread of negative sentiment regarding the Canadian dollar, based on pessimistic perceptions in financial markets about our economic and financial situation.

The Governor of the Bank of Canada, of course, went on to say that these perceptions were misinformed; that everything was not quite as bad as the international markets thought they were; that, after all, the balance of payments was sound, and the performance of the country, the economy, was better. But despite all of that, the markets had a very pessimistic perception of Canada's economic and financial performance. So it is as if the Minister of Finance, as he prepares his budget for later this month, is starting from the beginning again. As of early February, the international and domestic markets had a very negative impression of what was happening in Canada. The Chairman of the House of Commons committee, Mr. Blenkarn, in a number of trenchant observations, drove home the point that Canadian interest rates at that time were running ahead of American interest rates by 4 per cent, a very substantial spread. When it occurred in the days of Liberal Ministers of Finance, it drew upon their heads the most unrestrained assaults possible. I do not think it ever reached a 4 per cent spread. Occasionally it was below the American interest rate, but Mr. Blenkarn drew that to the attention of the governor of the bank. I must say that he was as scathing on that occasion as he had been on the number of occasions I appeared before the committee and he was a member of the committee. I give him marks for his consistency. However, perhaps his popularity will not be as great. Mr. Blenkarn goes on to say:

● (1550)

In other words, we have a 4 per cent competitive disadvantage in trade, in business, in activity, in everything that goes on in Canada. I was wondering why, in order to scorch a few speculators, we had to burn Canadians and burn the Government of Canada, which is carrying a \$200 billion debt, to that extent.

[Senator MacEachen.]

I asked a number of questions of the Leader of the Government in the Senate in an effort to find out why this massive action was delayed for so long. I asked, "Would it not have been more prudent to have shown the hand of the government earlier to restrain the drop in the Canadian dollar and to avoid what became a very hefty increase in interest rates in the next two successive Thursdays?" I have been asking that question and I have not received a satisfactory answer. Perhaps it will be forever a matter of debate. It is my opinion that there has to be an answer given as to why there was the delayed response which resulted in those massive borrowings and that very hefty increase in interest rates in Canada. This is why Mr. Blenkarn said:

I was wondering why . . . we had to burn Canadians and burn the Government of Canada . . . to that extent.

I think it is a damned good question. Obviously, in light of what was happening, the Minister of Finance and the governor of the bank could not sit idly by. That is understood, but why the delay? Is it too much too late? The governor goes on to say:

Well, the objective, Mr. Chairman, was much broader than to burn a few speculators.

He goes on to testify later that, indeed, it was not speculation that had brought about the pressure, in the main, on the Canadian dollar, it was the negative sentiments. One of the members of the committee in the House of Commons had said:

—are you saying that the real culprits in the process were the speculators—

To which the governor replied:

No, I am saying the problem was—and I tried to make the point in my paper—the negative sentiment that had developed.

That is, the negative sentiment that had developed about Canada. It is unfortunate that the Minister of Finance is faced at this point with the necessity of taking another step in his budget to restore confidence in Canada's financial management, because that confidence, according to the evidence of the governor of the bank, is not present and that is what caused this crisis. The governor goes on to say, while listing the reasons why this happened, that the Bank of Canada might have been too soft in resisting this development. Later he says:

The government deficit has been mentioned, and people await the budget with interest.

So, Mr. Wilson is not getting any thanks at all for the substantial revenues and substantial effort which, as Senator Simard has stated, is found in this bill to restore confidence and to reduce the deficit. He is not getting any thanks abroad. Now, Mr. Wilson is even having further additional demands made upon him as he faces the budget. Mr. Rowland Frazee wrote an article recently in the *Toronto Star* in which he said to the minister those familiar words, that he had taken a step in the right direction. That comment is always made before the real punch comes.

Senator Flynn: You would know about that.