

REQUEST FOR MEASURES TO IMPROVE ECONOMY

Hon. John C. Crosbie (St. John's West): My question is for the Minister of Finance whose government is crucifying Canadians upon a cross of broken promises. The Bank of Canada interest rate today has gone up to an historic high of 17.36 per cent, the highest in our history, which means that the prime bank rate will be going up to at least 19 per cent. On October 28 the minister forecast a mild depreciation of the Canadian dollar. He said it would be assumed to average slightly more than 86 cents U.S. in 1980 and 87 cents U.S. in 1981. He forecast the CPI for this year to be 9.7 per cent. Today it has gone up to a year over year average of 11.2 per cent. The Canadian dollar is under 83 cents U.S. That is how good the minister's forecasts are. The budget has been completely discredited within the last six weeks.

My question to the minister is the following. Will the minister now bring in a policy that might save the Canadian dollar and save Canadians from these high interest rate costs by introducing incentives for the private sector to invest here in Canada and stop the outflow of investment funds which this mistaken Lalonde policy is forcing upon the Canadian oil and gas industry? Will he take steps that will reduce the current account deficit which renders us so vulnerable after 12 years of Liberal economics?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I think the hon. gentleman totally misunderstands the nature of the immediate problem facing the country as a result of the very high interest rates, combined with the pressure on the Canadian dollar. That immediate problem has nothing to do with the budget, it has nothing to do with the current account balance, it has nothing to do with the trade figures. Because if these were factors, the problem would have improved, but they are not.

The problem arises from high interest rates which exist in the United States putting pressure on interest rates in Canada and putting pressure on the exchange value of the Canadian currency. I want to tell the hon. gentleman that the policies which he recommends, if implemented, would have absolutely no effect on the current, immediate problem. That is a separate problem, and I reject entirely his suggestion as a solution.

Some hon. Members: Hear, hear!

Mr. Crosbie: Madam Speaker, I have a supplementary question for the Minister of Finance. I am looking at the immediate problem; I well understand it, I see it here every day. I would like to remind the minister that the Diefendollar was worth 92.5 cents U.S., about which his party complained in 1963. Today we have the "Trudeau buck", worth 82.5 cents U.S. or 10 cents less. When are we going to get back to the Diefendollar? It looks pretty good now.

Some hon. Members: Hear, hear!

Mr. Crosbie: For seven years we had a current account deficit and the minister has forecast a current account deficit this year in the international balance of accounts of \$6.2

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billion. Investment is fleeing Canada. That is why there is downward pressure on the Canadian dollar; that is why interest rates are going up; and that is what Mr. Bouey says is happening.

Let me come back to the minister and ask him this. Will the minister take steps to reserve this by changing this attack on the private sector, which is the only thing in this country which can save us—it will not be advanced state ownership—by attracting back into Canada our own investment which is leaving Canada and by bringing in a new economic statement immediately in January? Will he try to retrieve the situation before disaster occurs here which is even worse than is occurring now?

Mr. MacEachen: Madam Speaker, the hon. gentleman is loading the atmosphere will all sorts of rhetoric which has nothing to do with and bears no relationship to the problems which we are facing as a result of the high interest rates existing in the United States.

• (1430)

Mr. Crosbie: If you cannot understand that, you better get out quickly.

Mr. MacEachen: I must repeat to the hon. member that at the present time the prime rate in the United States is about 21 per cent.

Some hon. Members: So what?

Mr. MacEachen: In Canada the prime rate is three or four percentage points lower. Our capital markets are closely linked with those of the United States. There are bound to be influences on Canadian interest rates and the exchange value of the Canadian dollar.

An hon. Member: Is that what you said last year?

Mr. MacEachen: That is the particular problem we are facing. No amount of rhetoric by the hon. member for St. John's West, who is suffering from December blues, will change that basic fact.

Some hon. Members: Hear, hear!

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THE BUDGET

REQUEST FOR NEW BUDGETARY POLICIES

Mr. Edward Broadbent (Oshawa): Madam Speaker, my question is directed to the Prime Minister. It contains facts and not, as the Minister of Finance likes to describe criticism, merely rhetoric. Two alarming facts came out today: first, we have the highest cost of living in five years; second, we have the highest level of interest rates ever in the history of Canada.

Mr. Crosbie: Ever.

Miss MacDonald: Some record!