Why does the Bank of Canada have to set an interest rate five percentage points above inflation? The Bank of Canada does not have to receive a massive return. Why is the Bank of Canada not prepared to combat inflation by setting an interest rate let us say one percentage point above inflation and then require the financial institutions to follow suit and set interest rates which are manageable for Canadians? If that were done, there would be more money in the economy. Would it be money that the government is putting into the economy? No, it would be money the average Canadian is putting into the economy. It would then be more attractive for people to manufacture products because there would be people with money left over at the end of the week to buy them.

The minister may well say that the level of savings in Canada is higher than it need be. That may well be true, but most of the purchasing in any economy—and this one is no different—is done by young families. Most of the new consumer-oriented products are purchased by young families, and after they have met their fixed costs they do not have sufficient disposable income to make those kinds of purchases. I say to the minister that a dramatic change in his policies is required. It is not just simple tinkering, it is not another $150 million in a housing program which currently does not work, and it is not simply giving the oil industry more money. As far as that industry is concerned, let me just point out to the minister that by July of next year the price of a barrel of oil will have gone up another $10.25. By most analysts' statistics, every dollar increase in the cost of a barrel of oil adds .5 per cent to the cost of living. Therefore this government has negotiated a 5 per cent increase in the cost of living over the course of the next year. How is that combating inflation? How is that holding the line? How is that consideration for and commitment to this country's future?

As my time wears on, Mr. Speaker, I want to move an amendment and then make a few comments about it. I move, seconded by the hon. member for New Westminster-Coquitlam (Miss Jewett):

• (1640)

That the motion be amended after the word "inflation" to add: "and urges prompt action to increase Canadian ownership of the manufacturing, oil and gas sectors, as well as direct the Bank of Canada to lower its lending rate to not more than 1 per cent above the rate of inflation."

In the remaining time I have left I have some comment about the minister's argument on interest rates. It has been my contention, and the contention which my party has put forward for a long time, that the major problem in this country which keeps our economy from rebounding, which keeps the manufacturing sector from growing, which is forcing businesses, farmers and people into bankruptcy, is high interest rates.

The minister always makes reference to what he calls the facts. He says that interest rates around the world are high. Yet of central bank rates around the world in 1982, Canada had the third highest rate, behind only Ireland and Italy. Canada's interest rate in March, 1982, was 15.11 per cent compared to 12 per cent in the United States and 5.5 per cent in Japan. In inflationary terms in 1980 and in 1982, the composite average of industrial countries showed an increase of 12 per cent in the inflation rate. The rate in the United States was 13.5 per cent while in 1980 it was only at 10.1 per cent in Canada. However, between then and now the industrial composite has gone down to 7.9 per cent in the United States to 6.7 per cent, but in Canada it has risen to 11.6 per cent. Why has that happened? Because Canadian businesses have had to add into the cost of doing business here exorbitantly high interest rates; because Canadian businesses have had to add into the cost of carrying inventory exorbitantly high interest rates; because the house building industry in Canada knows that Canadians cannot afford to purchase the homes which they are capable of building because of exorbitantly high interest rates.

All across this country people are beginning to understand that their incomes are being eroded daily because they are being asked to pay exorbitantly high interest rates. If this government is serious about its battle against inflation on the one hand, and about its battle against unemployment on the other hand, about its commitment to make sure the necessities of life are available to people in all walks of life at a price they can afford, then the government will begin to solve the problem by coming to grips with exorbitantly high interest rates.

I suggest that if there was one single theme to follow in trying to establish in Canada an independent path, if the government wants to establish in Canada the road to recovery, then it should begin by stopping the increase in oil prices next year which will add at least five percentage points to the cost of living, and by taking steps to ensure that the Bank of Canada reduces interest rates to people, businesses and farmers across this country and allows the Canadian economy to work again.

Hon. Michael Wilson (Etobicoke Centre): Mr. Speaker, in its terms the motion today calls upon the government to take immediate action—not next week, not next month, not next year, but immediate action now. There is a very simple reason for that. These problems with which we are faced today just cannot wait. We have a weak Canadian dollar of which we are reminded daily. Three weeks ago when the Minister of Finance (Mr. MacEachen) announced that the budget deficit would be substantially higher but he would not tell us what the amount was, we told him that was dangerous as far as the exchange markets were concerned. The dollar then was worth 85.5 cents U.S. Today it is bumping along just above 77 cents U.S. We have to move fast because the weak Canadian dollar is forcing up interest rates and we can see that happening daily.

Industry is in a perilous position. The Bank of Montreal and the Canadian Imperial Bank of Commerce have given us very graphic figures showing that about two-thirds—60 per cent to 65 per cent—of cash flow today is being used by industry across the country just for interest rates. This cash flow is not going into reinvestment. That is why we have the very weak economic figures announced this morning. The gross national product, or the national income of the country, is down 8 per cent on an annualized basis in the first quarter of this year.