citizens and businesses forced into bankruptcy in the month of October alone.

Government myth number one is that the economy is growing. Virtually all current figures on employment, output in corporate earnings, confirm that the 1990 recession is continuing. The economy is not expanding enough to bring unemployment down virtually anywhere in the country. Moreover, small business, in which so many new jobs were created prior to 1990, is finding it more and more difficult to access capital and credit.

The second government myth is that we are in a world-wide recession. It is preposterous to argue, as the Minister of Finance and others do, that our difficulties are being shared world-wide, that Canada is suffering no worse than other nations. The U.S. recession, for example, on a peak to trough basis is only about half as bad as our own. Germany, France, and Japan have all managed to keep economic growth above 4 per cent annually over the past two years. Canada has barely managed to sustain a 1.5 per cent growth rate.

The third government myth is that "the government has got the economic fundamentals right," a direct quote from the finance minister.

A study by WEFA Canada Limited concluded that the federal cabinet and the officials simply do not understand how to deal effectively with booms and busts. Following the 1987 stock market crash the study concluded the Bank of Canada increased the money supply wildly irresponsibly. Only 12 months later did the Bank of Canada governor belatedly clamp down on the money supply growth, sending the exchange rate of our dollar skyward. Our export strength was seriously harmed in consequence, leading to the first trade deficit in a decade.

High real interest rates over the past several years have encouraged excessive foreign borrowing by both governments and the private sector in this country and have driven up the cost of servicing our debt. The government has also helped keep our dollar at a level which made many of our exports uncompetitive.

The WEFA study concluded in short that incompetent macroeconomic policy in Ottawa has been a major cause of bankruptcy and rising unemployment across the nation.

The fourth myth of the government is that the North American free trade agreement will spark new economic growth in Canada.

Mr. Ross Belsher (Parliamentary Secretary to Minister of Fisheries and Oceans and Minister for the Atlantic Canada Opportunities Agency): Mr. Speaker, I would like to refer to just one of the myths that the hon. member opposite talked about in the House on May 1 when he was asking his question. He said:

> When will the minister get the point? What will he tell his constituents about what his fight inflation only, his high interest and his high dollar policies are doing to them?

If ever there was a situation where a person is misrepresenting the facts to the public of Canada, that member opposite was doing it that day in the House of Commons. This government does not have a high interest rate policy aimed at protecting the external value of the Canadian dollar, quite the opposite. Policy is geared to achieving stability and durably lower interest rates through controlling inflation. Nor is there a target for the Canadian dollar to be set at.

The exchange rate is determined by market forces. Over the past year, for example, the Canadian dollar has fallen approximately 10 cents U.S., yet short-term interest rates are lower now than they were a year ago.

While we do not have a target we cannot ignore the costs to Canadians of short-term volatility in the foreign exchange markets. Accordingly the policy is used to smooth fluctuations to ensure orderly conditions in the exchange market during periods of instability such as had occurred in recent weeks. Over the past few weeks there have been increases in interest rates but these are temporary.

• (1820)

Policy is clearly and publicly committed to achieving price stability along the path set out in the inflation reduction targets. Achieving and maintaining price stability is the only way to permanently lower interest rates. This is essential for strengthening the recovery and for sustained, strong economic growth through the medium term.

The proposals that we have made in reducing inflation means there is room for interest rates to fall when financial markets stabilize. This means that Canada will be able to take full advantage of the strengthening of the