

indeed the world, was making a transition from the severe recession triggered largely by the oil price increases of the late 1970s. The member will know very well that global interest rates then shot up, as they did in Canada. The member will know very well that governments of the day in Canada, and indeed in other countries around the world, sought to offset the recessionary impact of higher energy costs by instituting public measures to promote employment and to help stimulate the economy.

The member, who prides himself on being a small businessman, will recognize that in terms of recessionary periods governments must step in to assist the economy. During a period of prosperity, such as we have just experienced, governments, in terms of good Keynesian economics, will reduce to a degree their activities in the economy so as to permit the expansion of the private sector. The minister knows that there is no point in him taking time telling us about some spurious or imaginary circumstances in 1982 which did not exist.

What I am saying to the minister and what he should recognize is that inflation rates in the United States, our principal trading partner to which 70 per cent of our exports or more go—are today no higher than in Canada. In fact, they are lower. But what are interest rates in the United States today? Substantially lower than they are in Canada. In such circumstances, how does the government think that we can compete with the United States? How does it think that it is going to get any benefits from its much vaunted free trade agreement if it runs interest rates that are typically 4 to 5 percentage points higher than those in the United States and if it drives up the value of the Canadian dollar to the point where tourism, among other vital Canadian industries, drops off because of the cost of Canadian goods and services are beyond their real value in terms of any productivity measurement?

Does the government think that pursuing a monetary policy of this sort places Canada in a competitive position in the world today? The minister knows better than that. He knows better than 4 or 5 percentage points in interest rates over those in the United States is bound to have a deleterious effect on our international trade and to

render us less competitive than Canadians should be and less productive than Canadians should be.

That is the real answer to this member's questions, not some sort of imaginary world in 1982 when presumably the government from its own ideas thought that it would like to have high interest rates, divorced from the rest of the world and divorced from the inflation that had been triggered by the oil crisis of the late 1970s. He knows better than that.

• (1150)

Hon. Tom Hockin (Minister of State (Small Businesses and Tourism)): Mr. Speaker, I have some remarks I want to go through rather systematically, but before I do so I would like to answer the questions I just posed to the member for Etobicoke North who refused to answer the questions I put to him.

First, in 1982 we all know that interest rates were about 22 per cent to 23 per cent. They are now considerably below that. We know, too, that in 1984 when the present government took over the deficit was running at \$38 billion, 8.6 per cent of the total wealth of the Canadian economy, compared with today where the deficit is now less than 4 per cent of the total wealth of the Canadian economy. He knows the answer to that.

As well, when he talks about plant closures, he very carefully omits the news that there have been a tremendous number of expansions, enhancements, and improvements of plants in Canada at the manufacturing level, the service production level of the economy, as well as some very good news in terms of employment creation since the trade agreement.

All of what the hon. member said on his motion, quite frankly, ends up being in many ways a kind of reverse hymn of praise to what our government has been doing. We have lowered inflation. We have lowered interest rates from when he was here. We have lowered the burden of the deficit as a percentage of the economy, expanded trade, and seen a tremendous number of jobs created in the last six years.

He also talked about the last two or three quarters where we have had flat or negative growth in the Government of Canada. He omits to tell us of course that we have had seven and a half years of economic expansion largely as a result of the policies of this