As inflation remains above 5 per cent, why would Mr. Crow reduce interest rates even if the deficit was reduced, if we take him at his word that inflation is what is important. This government does not care how many people lose their jobs. They are talking in their budget documents that unemployment is going to go up but that is what has to happen in order to bring inflation under control. The government does not care about how many western farmers lose their land. The government does not care about small business. Did they listen to John Bulloch and the Canadian Federation of Independent Business as they pleaded for government understanding with respect to the GST?

Does the government care about how far our exports fall, what is happening to our export trade balance? The Prime Minister and the Minister of Finance support the policy of the Bank of Canada Governor without reservation. That is the way it has to be. It appears that that is what they do, but every now and then on a Friday afternoon the Prime Minister forgets himself and says: "Oh well, interest rates will go down after the budget".

An hon. member: The tail is wagging the dog.

Mr. Young (Gloucester): The question that has to be asked of this government is not whether Mr. Crow's policy of zero inflation makes sense at any time, but does it make sense in a period of slow growth. We would all like to have lower inflation, but achieving inflation reductions means higher interest rates, more bankruptcies, higher unemployment and lost exports. The zero inflation battle means an unacceptable level of hardship for Canadians.

We already have the highest interest rates in eight years. This is after five years of good management and good planning. They are the highest interest rates since the recession of the early 1980s and the highest inflation in six years. We have high interest rates and high inflation. It does not all fit.

Many people hear a great deal from the chairman of the finance committee. He says we should let the dollar fall to 78 cents. We have the Prime Minister saying that interest rates will fall. They should be falling any moment now, according to his statement a couple of weeks ago. In the middle of all of this, we have the Minister of Finance saying he is demonstrating good management.

We are always amazed by the creativity the Minister of Finance displays when it comes to finding new excuses for why he is keeping interest rates high and why he supports that policy. A couple of years ago when our interest rates were increasing, he said it was because the American rates were going up. A country like Canada that was intertwined and involved with the United States, through the free trade agreement and geographically, could not possibly have significantly different interest rates than those of the United States. He ridiculed anyone who suggested that maybe we should have a made-in-Canada interest rate policy. He said that an independent monetary policy was unthinkable.

Now things have changed, and the minister and the Governor of the Bank of Canada are pursuing an independent monetary policy with an enthusiasm that none of us could have dreamed possible. We do not hear the minister telling us now that we have to lower our interest rates because American rates are low. No, with Canadian interest rates now 5 per cent higher than those in the United States, the minister has adopted a policy that he said was totally wrong-headed. We are now running an independent monetary policy. Unfortunately for Canadians, it is a high interest rate policy.

The minister then went on to tell us that if we did not keep rates high, the dollar would fall. Well, last year, the dollar was up to 86 cents, so that really did not hold water too much.

He told us that inflation was out of control and he could not possibly lower interest rates then because inflation had to come down. Inflation came down from 5.4 per cent this past summer to 5.1 per cent by the end of the year.

• (1620)

He had to come up with something else so he told us that now interest rates have to stay high because it is necessary to keep foreign capital investment flowing into Canada.

This week the minister is back and he says that inflation is up again so we have to have a high interest rate. At the same, there has been a run on the Canadian dollar. They are spending like mad to try to prop it up.