

in touch with Governor Cuomo's office to demonstrate precisely the concern that we express.

I obviously cannot comment on Mr. Erasmus' statement, except to say that it underlines the concern held by individual Canadians and by governments here about the situation.

Our determination is to play our role in bringing it to a peaceful resolution. Our expectation is that the Americans, both on a state and a national level, will also play an effective role to resolve this situation as quickly and as peacefully as possible.

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### THE ECONOMY

**Ms. Audrey McLaughlin (Yukon):** Mr. Speaker, my question is for the Minister of Finance.

The Minister of Labour is quoted over the weekend as having said: Canadians are really much better off. They take vacations. Restaurants are full on the weekends, and they drive cars. The facts indicate something quite different.

Today, Statistics Canada reports that the Gross Domestic Product has declined for the second straight month. Bankruptcies were worse last month than they were in the worst month in 1982, during a recession.

Will the Minister of Finance and his government finally pay attention to the real economic indicators: lower the interest rates and scrap the GST?

**Hon. Michael Wilson (Minister of Finance):** Mr. Speaker, I think I have made it very clear in answers to the Leader of the New Democratic Party and the House last week why we are following the policies that we are following. It is very easy for members opposite to make these comments here. On this side of the House we have to deal with the issues. We have to deal with the policy prescription.

If I might draw her attention to an article by Norman Webster recently, the former NDP Leader of Saskatchewan, Allan Blakeney, is quoted as having said: "I have written to Audrey McLaughlin asking her how she proposes to deal with the deficit, and she has not replied".

### Oral Questions

We have to reply. That is the job that we have as government. We do not have the luxury that the hon. member for Yukon has of ignoring these problems. We are not going to ignore the problems. We are going to deal with them, as we have dealt with them in recent years. The results are better economic performance, one of the best in the world today.

**Ms. Audrey McLaughlin (Yukon):** Mr. Speaker, since the Minister of Finance does not wish to take my opinion, I would like to point out to him the opinion of the Canadian Real Estate Association which says that the minister should curtail the interest rates before he brings the country down.

A Wood Gundy senior economist says that the interest rates are driving the economy into a serious recession.

The Canadian Exporters Association says that the current monetary policy is one-minded, amounts to overkill and is proving disastrous for Canadian exports.

I ask the minister again: When will the government respond to the mounting evidence that this interest rate policy is increasing, not decreasing inflation?

**Hon. Michael Wilson (Minister of Finance):** Mr. Speaker, if the hon. member is saying that our interest rate policy is increasing inflation, then she sadly misunderstands the role of interest rates and the role of central bank policy in dealing with inflation through the means of keeping interest rates high.

• (1430)

I draw to her attention that during the course of last year there was a very substantial increase in bank credit ranging from the 10 to 12 per cent range for businesses to the 15 to 20 per cent range for mortgages.

When the economy is growing at 7 per cent, if we were to decrease interest rates, that increase in bank credit would be much more substantial than it was. That would lead clearly to more inflation, clearly to the problems that we are trying to avoid, the similar type of problems that led to the recession of 1981-82. That is the policy of the government. We have to deal with these pressures today and we are determined to do so.

[Translation]

**Ms. Audrey McLaughlin (Yukon):** I have a supplementary question for the minister, Mr. Speaker.