

Oral Questions

government to change its policies and to get the Canadian dollar down to the neighbourhood of 80 cents.

This high exchange rate hurts Canadians in every part of our nation. When is the government going to reverse this disastrous course that it is on?

Right Hon. Brian Mulroney (Prime Minister): Mr. Speaker, I do not understand my hon. friend when he says "reverse this disastrous course" that we are on.

There have been nearly 200,000 new jobs created so far this year. Some 85 per cent of them are full time, and some 59 per cent of them have gone to women. The economy continues to grow, although at a less impressive level than has been the case over the last three or four years.

The Governor of the Bank of Canada has stated very clearly why the interest rate policy is required to squeeze the inflation out of the economy. We cannot have a return to the situation that existed in the early 1980s when inflation skyrocketed and the economy went into a tailspin.

• (1430)

The day before yesterday the OECD pronounced judgment in respect of the policies of the Government of Canada. It believes that compared with all other important international economies, the Government of Canada and the Governor of the Bank of Canada are doing the right thing in following these kinds of economic policies.

I, too, look forward to lower interest rates. I believe that if we follow this kind of sensible policy, difficult though it may be on an interim basis, and get inflation under control, then lower interest rates will follow. With that will come greater growth and greater job creation, but in a non-inflationary context. That is what we are seeking to do.

[*Translation*]

Mr. Peterson: Mr. Speaker, the Prime Minister referred to the inflation rate. He forgot to say that the inflation rate in Canada is now almost the same as in the United States. However, the interest rate in Canada is some four percentage points higher than in the U.S.. It is 7.5 per cent higher than in Japanese and in Germany. Can he explain how Canadians can compete internation-

ally with such high interest rates, one of the highest in the world?

Mr. Mulroney: Mr. Speaker, my Hon. friend is referring to the interest rate in the United States. He could have referred to the ones in Great-Britain, which are higher than ours, and the inflation rate there which is hovering 8.3 per cent. So much for another competitor. The situation is about the same in other major countries around the world.

Each country indeed has its own serious problem, and we also have serious problems in our Canadian economy. Our aim is to ensure that inflationary trends in the economy do not overcome economic growth and that six or eight months down the road we do not find ourselves with an inflation rate such as we had unfortunately when my friend was in government. And I know that he deeply regretted during his temporary exile from politics that his Government did not act with more speed and energy to control inflation, inflationary trends in this country, which we are now doing.

I therefore believe that basically my hon. friend is a knowledgeable businessman. He will know that this government and the Bank of Canada are implementing consistent policies which will lead to economic growth in a non-inflationary context.

[*English*]

Mr. Peterson: Mr. Speaker, what the right hon. Prime Minister does not mention is that if Canadians have to pay much higher interest rates in order to build the type of plant and manufacturing structure and economy that we need, that in itself is highly inflationary. He also did not mention that for every increase of 1 per cent in our interest rate, our deficit increases over \$1.3 billion in the first year and \$3 billion in the years thereafter.

A couple of days ago the Minister of Finance admitted that the economy was slowing down. He finally admitted it. He did not have to be a rocket scientist to do this, all he had to do was listen to the workers—

Mr. Speaker: I would ask the hon. member to put his question.

Mr. Peterson: My question is this, Mr. Speaker. Will he share with us and with the workers of Canadian Airlines, Gerber, Ford, General Electric, Indal, Inglis, and all the other workers who are losing their jobs what they intend to do about this disastrous course they are on?