off can afford to pay their bills before facing sky-high interest rates. But that is not the case for the more unfortunate, such as the average Canadian consumer who can only pay with a credit card and who must face very high interest rates on his bills.

A young single mother in my constituency—20 per cent of the families in my constituency are single-parent families, Mr. Speaker—has to support two children on the minimum wage. Once she has paid the rent, the rest of her salary only covers bus fare, food and child care. She cannot, on her budget, afford clothes and entertainment, much less unforeseen expenses. She cannot afford the luxury of drugs. Should the children get sick, the pharmacy would certainly accept her credit card to pay for the drugs. If the children need clothes, she will pray to God that they will be provided. As a last resort, she will buy with her credit card a coat and winter boots—God knows how she needs them sometimes to dress her children.

There are many like her in my constituency of Ottawa—Vanier, Mr. Speaker. They are not the only ones with problems caused by high interest rates on credit cards and other transactions.

Mr. Speaker, just think of the high interest rates that someone whose car broke down and who had to use a credit card will have to pay. Just think of all those who believed the Finance Minister last year when he predicted that interest rates would not exceed 8 per cent. If the Minister of Finance of Canada cannot predict an exceptional rise in interest rates, how can one expect Canadian families to do so? If the Minister of Finance cannot control his interest rates, how can one ask Canadian families to control their budget better, when the nation's moneyman, the Finance Minister himself, the so-called expert, is not even able to control his!

• (1800)

This Government's measures will throw many Canadian families into poverty. This Government's measures will bankrupt Canadian families.

Mr. Speaker, I again ask the Government why it is penalizing Canadian families by maintaining this disastrous high-interest policy.

Finally, Mr. Speaker, why do Canadian families again have to pay for the mistakes of a Conservative Government?

[*English*]

Mr. Howard Crosby (Parliamentary Secretary to President of the Treasury Board): Mr. Speaker, let me begin by thanking the Hon. Member for Ottawa—Vanier (Mr. Gauthier) for taking the time to consider the plight of Canadians in relation to interest rates because so much of his time is involved in separating party members during this very difficult period of a leadership campaign.

Let me try to explain some of the factors that lead to higher interest rates which admittedly do have an adverse affect on some Canadians. I understand and appreciate the Hon. Member's interest in the subject.

The strength of demand in the Canadian economy over the last year, following the exceptional economic performance of the previous five years, has placed strains on productive capacity in our economy and has resulted in rising pressures on prices and costs and higher interest rates, but conditions of strong demand and rising inflation have existed as well in other major economies and interest rates have risen internationally. For example, Canadian rates have moved up much less than those in the U.K., but moderately more than in the United States and Germany.

Canadian short-term interest rates have risen in response to growing demand pressures, as indicated by evidence of capacity shortages, buoyant investment and consumption spending, as well as rapid monitory and credit growth and falling unemployment. These conditions, together with the stronger world demand and a recovery in commodity prices benefiting some of our resource industries, have increased pressures on wages and prices in all regions of Canada. I hope the Member is listening to this erudite material.

These underlying pressures have occurred despite our dollar's strong appreciation over the last year, which normally would moderate inflation. Excluding the volatile food and energy components, the Consumer Price Index has risen from 4 per cent at the end of 1987. In recent months, the total index has risen to somewhat higher levels.

At the end of 1988 Canadian short-term interest rates were higher and they increased in the first four months of 1989 to around 12.5 per cent, which they are currently. This places them roughly 8 per cent above the rate of inflation. Although high, it is still below the historically higher rates that occurred in 1981. I am sure the Member remembers well that period of time, with six and five and all that confusion. Differentials with U.S. short-term