

Oral Questions

and a loss in consumer and investor confidence. The consequences of all of that would have been a severe economic downturn.

My hon. friend will agree that, for example, when the Minister of Finance brought in his first economic statement in November, 1984, some of these same think-tanks, including Leaders of the Opposition, were predicting losses of 200,000 and 300,000 jobs. In point of fact, these policies have resulted in the creation of 1.4 million new jobs. We want to maintain that record.

REDUCTION IN INTEREST RATES

Hon. Herb Gray (Windsor West): Mr. Speaker, my supplementary question is directed to the Prime Minister. The Prime Minister speaks of debt and inflation. Yet in the Budget statement his Minister of Finance admits that the Budget presented to the House last week will inevitably increase inflation.

How can the Prime Minister say to the House and to Canadians that a Budget that increases sales and excise taxes, which the Minister of Finance admits will be inflationary, can be expected to reduce interest rates? What is there in the Budget that will reduce interest rates? Is it not a fact, as confirmed by the Conference Board, that the Budget of the Government will have the opposite effect?

Right Hon. Brian Mulroney (Prime Minister): Mr. Speaker, no one can foresee the future with overriding accuracy. Even economic forecasters differ on what will be the impact of various policies.

The Minister of Finance has considered the best economic advice available to him. He has brought into the Budget forecasts a sense of realism and an understanding of the dynamics of the Canadian economy. Indeed, as the hon. gentleman points out, interest rates are too high.

It is our hope and our expectation that difficult actions such as those taken by the Government in the last Budget will result in the eventual lowering of interest rates. That will have the type of beneficial effect that we are seeking to have in the economy of Canada.

FORECAST OF INCREASE IN FEDERAL BUDGET DEFICIT

Hon. Herb Gray (Windsor West): Mr. Speaker, during the election campaign there was a report published by Southam News citing government sources that stated that the Finance Department was confidentially fore-

casting a much higher federal Budget deficit than the one the Government was talking about at that time. When asked about that report, the Minister of Finance was quoted as saying as he left a Conservative rally at which the Prime Minister spoke: "No, that's not accurate". The Minister of Finance said: "I made it very clear that our program spending track is right on line".

• (1420)

[*Translation*]

So I would like to ask the Prime Minister why the Minister of Finance insisted that the Government was on the right track at the time, although he had heard otherwise from his Department. Furthermore, why didn't the Prime Minister take advantage of this opportunity to comment on the situation? Why did he prefer to remain silent instead of passing on this information to the Canadian public? Why didn't the Prime Minister speak out at the time?

Right Hon. Brian Mulroney (Prime Minister): Mr. Speaker, I think all Canadians are familiar with the forthrightness of the Minister of Finance. He has admitted quite frankly that the increases in interest rates towards the end of the year have had a negative impact on his Budget projections. That is no big secret. This negative impact was also felt in the United States and all major countries of the world. Interest rates rose towards the end of the year and in early 1989, which had a negative effect on the Budget projections. However, we hope that a sound policy of Budget cutbacks will have a beneficial impact that will be noticed by the House in the months and years to come.

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[*English*]

FISHERIES

DRIFT-NET FISHING

Hon. Roger E. Simmons (Burin—St. George's): Mr. Speaker, my question is directed to the Prime Minister. He knows that three weeks ago he and his Government sold out the Newfoundland fishermen and plant workers. It appears now that the Government is also determined to bring chaos to the West Coast fishery. British Columbia salmon runs have been declining over the past few years, mainly due to the drift-net fishery outside the 200 mile limit. Over the weekend, the Government allowed Japan an additional 120 nautical miles for