I would also like to recall what the Prime Minister just said about the option of letting our currency float. There is pressure on the dollar. There is a feeling of insecurity in certain parts of the world, but people have confidence in Canada, despite our problems. There is also our financial situation, where the government occupies all the space on the capital market. These are the problems we are addressing, because we feel things must improve. Today's drop in the bank rate is in fact further evidence that our formula is the right one.

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[*English*]

INTEREST RATES

Mr. Paul Martin (LaSalle—Émard): Mr. Speaker, there are two reasons for the high dollar. Over the past seven years, first of all, we have had a strong Bank of Canada; and second, we have had a weak Government of Canada.

The issue, very clearly, is not simply one of bringing interest rates down, it is stopping the dumb, artificial propping up of the Canadian dollar. Eliminate the short-term interest rate gap between the Canadian and American interest rates and the Canadian dollar will come down; bring the Canadian dollar down and people will go back to work.

My question for the Prime Minister is this. When is the government going to move to eliminate the gap between American and Canadian short-term interest rates? When is the government going to move to bring Canadians back to work?

Right Hon. Brian Mulroney (Prime Minister): Mr. Speaker, my hon. friend knows that the rate has dropped by six percentage points and the spread—

Mr. Loiselle: It has been cut in half.

Mr. Mulroney: Mr. Speaker, my hon. friend is a successful business person. He knows full well that the spread has narrowed, has been cut in half over the last number of months between the American and the Canadian rates. He knows as well that all the economic indicators, including the one for last month, was positive. He knows as well that there are pressures on the dollar, that investment is flowing into Canada in very strong numbers.

My hon. friend, if he is suggesting, the rates are coming—

Mr. Martin (Lasalle—Émard): When are you going to eliminate the gap?

Mr. Mulroney: Mr. Speaker, the gap has gone from 595 to 290 and is now on the way to 260 and declining. I think this is a remarkable degree of progress.

My hon. friend would probably agree with his leader when he was Minister of Finance when he said that " we do not think that the level of the dollar at this time is a good level for maintaining our competitive position. We hope that the fluctuation will not be downward, but if the pressures of the market bring the dollar down, we will live with it because we are not the ones who fix the dollar. It is the market which determines the value of the Canadian dollar". When the Leader of the Opposition said that, the dollar was at 87 cents.

Mr. Jim Peterson (Willowdale): Mr. Speaker, the Prime Minister knows that for every cent the Canadian dollar goes up, Canada loses thousands of jobs and $1.3 billion in export sales.

Will the Prime Minister explain to Canadians why he thinks that a rising dollar that cost us jobs, that cost us export sales, is good for Canadians?

Hon. Gilles Loiselle (President of the Treasury Board and Minister of State (Finance)): I would like to repeat again that this government does not have a high dollar policy. The Canadian dollar fluctuates according to the market. We live in an open market economy.

The International Monetary Fund report, on which the opposition is very silent today, commends us for doing precisely what we are doing to allow the economy to prosper, taking control of the fiscal situation of our country and reducing the deficit, an effort that has been opposed every step of the way by the opposition for the last few years.

The Prime Minister was very humble. He said that the growth for Canada expected by the International Monetary Fund is the same as Japan. It is higher than that of Japan at 3.8 per cent for 1992, and we are very proud of that.