

Oral Questions

My question to the Minister of Finance is very simple. Does the Minister of Finance still stand by the projections and conclusions contained in his budget in light of clear evidence that his interest rate projection was very unrealistic?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the interest rate projection as it affects the deficit for fiscal 1990-91 relates to that fiscal year, and that does not start until this Sunday. We still have 12 months to go before we see what the impact of interest rates will be.

What the Governor of the Bank of Canada said yesterday is that he is totally committed to a policy which will reduce inflation in this country. Once we get inflation down, we will see reductions in interest rates. That is perfectly consistent with everything that I have said both publicly as well as in the budget documents.

[*Translation*]

Mr. Douglas Young (Gloucester): Surely he must recognize now that the outlook and economic indicators contained in his budget were obviously wrong. My question is this: In view of the fact that almost everybody agrees that his projections as far as interest rates over the next 12 months are concerned are not realistic, does he still claim that his budgetary conclusions are right and reflect the true reality?

[*English*]

Hon. Michael Wilson (Minister of Finance): Yes, I do, Mr. Speaker. I feel that the projections that we put in the budget were realistic projections. As I indicated at that time, they are consistent with the projections that a private sector economist group had put together. We monitor this group on an ongoing basis. Our projection for this year, as I recall, was one tenth of one per cent higher than the average of a group of private sector economists. As I indicated earlier, we still have the full year ahead of us. Let us not draw any sharp conclusions here.

I can remind the hon. member of 1986 when the same type of question was being asked by members on the Liberal side. We had an interest rate projection, I believe, of 9.5 per cent. Interest rates were about 12 per cent at the time. In fact, we came in with an average rate of 9.1 or 9.2 per cent. So we still have 12 months ahead of us.

Mr. Douglas Young (Gloucester): Mr. Speaker, looking at the last 12 months, the minister at this time last year was telling us we should be enjoying interest rates at about 10 per cent at this stage of the game.

I want to ask the Minister of Finance, in view of the fact that the Bank of Canada Governor has stated that his high interest rate policy so far has failed to control inflation to the extent that he would like to have it controlled, in view of the fact that he is going to require high unemployment rates to be able to do better, as he has promised to do in 1990, and in view of the fact that in his own budget documents the minister has predicted higher unemployment in Canada in the next 12 months and a slower rate of economic growth, is his government going to allow the Governor of the Bank of Canada to continue his obsession with zero inflation and drive this country into a recession? Is that the policy of the government?

• (1420)

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, if we on this side of the House have any obsession, it is an obsession with avoiding the problems that we got into in the late 1970s and the early 1980s.

I remind the hon. member that at that time, the government of the day, the party that he supports, ignored the problem of inflation and swept it under the carpet. It let inflation go from 5 to 6 to 8 to 10 to 13 per cent. That led to the high interest rates in early 1981 and 1982. It was that high level of interest rate that led to the depression of 1982.

We want to avoid that problem. That was a very difficult lesson for all of us to learn. That is the lesson we want to remember and stop the problem of inflation today so that we do not run into the problems that we ran into in the late 1970s and early 1980s.

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[*Translation*]

EXTERNAL AFFAIRS

Hon. André Ouellet (Papineau—Saint-Michel): Mr. Speaker, my question is directed to the Secretary of State for External Affairs. The Minister knows how anxious Poland is to be a part of the coming discussions dealing in particular with Germany's eventual reunification. The Minister certainly will agree they have good reasons for that, because for too long a time, they had no say in their fate. Is the Canadian Government ready to