

Oral Questions

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, that sort of bravado simply does not work. She knows that we cannot just roll back interest rates. The primary objective—

Mr. Rodriguez: You rolled them up.

Mr. Wilson (Etobicoke Centre): Mr. Speaker, I would encourage the hon. member not to take advice from the people on her left and her right.

The primary purpose of our monetary policy, supported by our fiscal policy, is to get inflation down. What we have seen in recent weeks as we tried to get interest rates down, a minimal reduction in interest rates, was an over-reaction in the exchange markets.

In the interests of getting long-term growth in the economy, it is important to achieve stability in financial markets. That is what has been happening in recent days, and in that regard I fully support what the Governor of the Bank of Canada is trying to do.

[*Translation*]

Ms. Audrey McLaughlin (Yukon): Mr. Speaker, the minister knows that excessively high interest rates tend to increase the deficit. The government is proposing the GST to reduce this deficit.

If the government really wants to reduce the deficit, why this contradiction between its fiscal policy and its monetary policy?

[*English*]

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, as I have said on many occasions, the best way of getting interest rates down on a permanent basis is to get inflation down. One of the ways of getting inflation down is by encouraging, through interest rate policy, a reduction in the demand for credit. That is the purpose of the policy of the Bank of Canada. As we have seen in recent days and weeks, there has been some apparent sign of success here. We want to encourage that success to continue because if it does, we will be able to get interest rates down on a permanent, long-term basis.

In the 1970s when the Liberal government ignored the pressures of inflation, we got 20 per cent and 25 per cent interest rates. If that is what my friend is striving for, she is going in the wrong direction, certainly a different direction than this government is going.

• (1430)

Ms. Audrey McLaughlin (Yukon): Mr. Speaker, Canadians know that the way to get the interest rate down is to get the Tories out.

Some hon. members: Out!

Ms. McLaughlin: The minister keeps saying that because of the deficit Canadians have to tighten their belts, that because of the deficit Canadians have to accept an insufferable 7 per cent new sales tax. The minister knows that a 1 per cent increase in interest rates adds \$4.4 million a day to the deficit. What a waste, \$4.4 million a day, 365 days a year.

Is it not time to cut interest rates and stop cutting programs for Canadians?

Some hon. members: Hear, hear!

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, I did not hear the question. Could she repeat it?

Ms. McLaughlin: Yes, I can, Mr. Speaker. I asked the minister if it is not time for the minister to cut the interest rates and stop cutting programs for ordinary Canadians.

Mr. Wilson (Etobicoke Centre): Mr. Speaker, the other side of what the hon. member has just said is: if she does not want interest rates cut, she wants to increase inflation. If she wants to increase inflation, then what she is doing is hurting the very people who she wants to help, people in low income brackets and people who are senior citizens living on fixed incomes.

Mr. Nystrom: What about the GST?

Mr. Wilson (Etobicoke Centre): Her seat mate just said: "What about the GST?" I want to take some time here to correct the Leader of the New Democratic Party. She said that the GST is going hurt those who are on low incomes and hurt those who are senior citizens. That is absolutely wrong.

We have brought in the GST credit, as a result of which 84 per cent of people who are 65 years or more or single-parent families will get the benefit of the GST credit.

With the benefit of the GST credit they will be paying less sales tax after sales tax reform than before.