According to all the forecasts we are seeing, there is going to be a recession that will start later in 1989. In part, that recession is the responsibility of the Government of Canada because of high interest rate policies and tight money policies. In part, that recession is because the Government did not have the foresight over the last number of years to build a strong economy, come up with new ideas to create wealth and to create additional jobs, to create wealth in Newfoundland or in the outlying reaches of the country in order that people can get off the welfare rolls and the dole and start adding to the productivity of the country. We are borrowing more and more money because the country is less and less productive.

**Mr. McDermid:** Borrowing less and less money.

**Mr. Nystrom:** The Bill before us today is borrowing more than $25 billion. The Minister himself stated that the payments on the debt this year will be $39 billion. One of the big culprits and the reason the debt is so high, or the deficit is so high, is the Government's policy of high interest rates.

Every time the interest is increased on the bank rate by 1 per cent, and sustained over a period of one year, $1.5 billion is added to the deficit; 1 per cent interest in the bank rate, $1.5 billion to the national deficit. If that interest rate of 1 per cent is sustained for one year, it is $1.5 billion. If it is sustained over two, three, or four years it is compounded each and every single year.

In the last two years bank rates have skyrocketed. In March, 1987 the bank rate was 7.14 per cent. On May 1, 1989 it was 12.62 per cent. That is an increase of approximately 5.5 per cent. Over two years the bank rate has gone up by some 5.5 per cent. If a 5 per cent increase in the bank rate is sustained over one year it adds an extra $7.5 billion to the national debt.

**Mr. McDermid:** Six point four billion dollars.

**Mr. Nystrom:** The Minister states the precise figure is $6.4 billion. The high interest rate policy continued over two or three years is a large part of the problem that we are facing today.

The number one challenge of the Government is to find a way to lower interest rates. The Government must realize that a tight-money policy and a high interest rate policy hurts the farmer of Saskatchewan, the worker of Newfoundland, the person trying to build a house in Toronto or British Columbia, and in particular it hurts small business.

The real interest rates are among the highest they have been since the 1930s. During the Great Depression, and I do not have the figures with me, it was very seldom that real interest rates went above the 8 per cent mark. In 1981 and 1982 there was a recession. Today, the real interest rate is higher than it was every single week in 1981, except for one week in August, 1981. Today, the real interest rate is 8 per cent. By "real interest rate" I mean the difference between the bank rate and the cost of living. Today, the bank rate is 12.6 per cent. The cost of living is 4.6 per cent. The real interest rate is 8 per cent. That is the highest real interest rate except for one month in 1981 when the bank rate was 21 per cent, the cost of living was 12.7 per cent, and the real interest rate was 8.3 per cent.

We are in serious trouble in this country when real interest rates are at that level. The Government has been timid in terms of instructing the Bank of Canada and the Governor, Mr. Crow, to roll back interest rates. I believe there is some flexibility. The interest rate in Canada is approximately 3.5 per cent higher than that in the United States, comparing our bank rate with their bank rate. The Bush administration does not seem to fear talking to Mr. Greenspan at the Federal Reserve and ordering him to hold down the interest rates. If that can be done in the United States, why can we not do it in Canada? We could roll back interest rates by a couple of points without hurting the economy in terms of the outflow of Canadian dollars. If the dollar is lowered by two or three cents it would be a stimulus to our exports.

Every single provincial premier has called upon the federal Government to talk to Mr. Crow to attempt to lower bank rates in the country. My friend, the Hon. Member for Mississauga South (Mr. Blenkarn) knows that. Mr. Getty has said that, as has Mr. Vander Zalm. The great supporter of the Conservative Party Robert Bourassa has also stated the same thing.

[*Translation*]

And on the weekend I saw Mr. Bourassa, who likes the Prime Minister of Canada very much. He was very negative towards the Budget of Canada and I know that my friends, the Hon. Members from Quebec here, agree with Mr. Bourassa that the Budget will be hard on Quebeckers. I think that Mr. Bourassa is right: interest rates are too high in Canada and it will be a problem for the Canadian economy for a long time.