

# MP says interest rates are too high now

**Garth Turner**  
MP

Halton-Peel  
PROGRESSIVE  
CONSERVATIVE



The economic news has not been great the last few days. Interest rates are up again; the stock market has been falling; mortgages and loans are more costly; inflation won't go away, and more economists are talking about recession.

I guess if I were still writing a daily newspaper column for a living, I'd be using dark headlines. It wouldn't be too tough to sensationalize the current situation.

But I'm not. I'm a politician, and a part of a government which some people want to blame for all this stuff. As such a guy, however, I'm not going to offer you up a sunny defence of the feds. Instead I would like to outline a few of the facts, and let you make up your own minds.

First, interest rates.

They are too damn high. But the problem is, bringing them down is also somewhat dangerous. If the Bank of Canada eases back, then the value of the dollar will fall along with the rates. While that's temporary good news for exporters, it's bad news for inflation - because all we import gets more expensive.

This is what happened just about 10 year ago. The feds eased on rates; inflation roared up to 12%; and eventually interest rates had to hit 22% to cool out the system. That, of course, brought on the misery-laden recession of 1982.

If we can avoid that again, then we must. Keeping rates stiff today is supposed to keep us out of trouble. I hope the plan works.

Of course, high rates are the enemy of the stock market - because investment bucks are lured away from Bay Street by the high interest paid on things like Treasury bills. So, the market falls - by about 200 points last week.

But stocks have another enemy, and that's political instability. Foreign investors, particularly, tend to avoid spending their money in places which are plagued with uncertainty. Right now, Canada is getting that label. A big German bank last week told its investors to dump Canadian government bonds, partly because of Meech Lake. If the deal fails, then all this talk about Quebec separating could have a real economic bite.

And this is another reason for high rates. With a big deficit to finance, Canada needs high rates to attract money to this country. Our domestic savings along can't handle the load.

So, is this due to Tory mismanagement of the economy?

You make up your own mind.

The national debt was \$170 million in 1984. Today it's \$350 billion. Why have we let that happen?

Because, as a country, we haven't had enough money to pay the interest on that debt for the past six years. As a result, almost all the increase in the national debt is due to interest on that \$170 billion.

Six years ago, Ottawa was spending \$16 billion a year more on programs than it got in taxes. Today we've got a \$9 billion surplus. But that isn't good enough - it's not enough to cover the \$40 billion in interest on the debt this year alone.

So, we end up running a deficit and borrowing more.

It's a bad situation. After years of budget cuts and tax increases, we're still in trouble.

And when interest rates around the world start to increase - as they

are now - then we realize how little skating room Canada has.

There is little reason to expect a quick drop in interest rates - for all the reasons I just talked about. At the same time, there's an obvious need for all levels of government to keep on cutting spending. And until we can bring the deficit down to zero, the national debt will keep on going up.

In this situation, the finance minister, Michael Wilson, has to be some kind of magician. On one side - as the economy slows down - he's asked for more cash, to bail out Saskatchewan farmers or east coast fish plant workers. And on the other are demands from middle-class taxpayers to slash more federal spending rather than relying on any more tax increases.

All the while, higher interest rates make the deficit worse. It took our country about 20 years to get into this mess. I know that a lot of you are impatient to get out. A lot of people think the Tories should have turned this country around over the past 60 months.

Well, it didn't happen. And it won't happen over the next 60 months. We may get the deficit under

control and start paying back some of the debt (the plan is to begin in 1994), but we will still be suffering spending cuts and tax hikes.

Whether the next government is Tory or Liberal doesn't much matter. As Canadians, we have no choice - not if we want this place to avoid being Argentina North, where the middle class has been wiped out.

These problems can be solved, and the feds will have little to go to voters with next time if they are not.

I spent last week covering a great deal of ground in our riding, from Burlington to Bolton and back again. I heard people unhappy about high rates and the GST, which was no surprise. But I also heard people tell me they cared more about the future.

People know what the situation is. They have a great deal more intelligence than most politicians give them credit for. They don't want handouts. They want solutions.

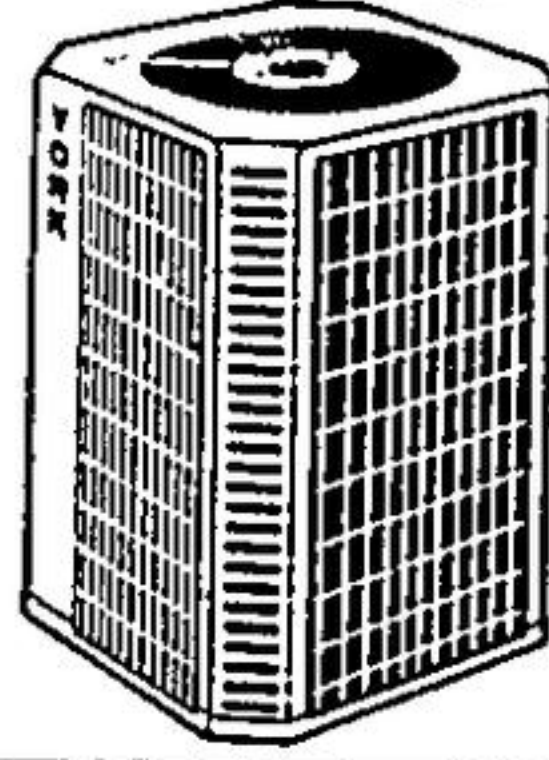
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### PROCLAMATION



"THAT the correspondence from the Kiwanis Club of Georgetown dated 1990 02 02 be received:

AND FURTHER that the Council for the Town of Halton Hills hereby proclaims April 28th, 1990 as "Kiwanis Club Duck Race Day" within the Town of Halton Hills in accordance with Council's policy."

**Russell Miller**  
Mayor


## THE WEEK WE CAN HELP SAVE THE WORLD.

**E**arth Day is Sunday, April 22, 1990. It's a time to focus on our planet, and what each of us can do to preserve and enhance it.

In honour of Earth Day, the Halton Board of Education has declared the week of April 22 "EARTH WEEK". Throughout our region, many schools will have very special activities that will demonstrate what today's students are doing for the environment.

These happenings are a part of our **Education Week** activities. The 1990 theme is "The School And The Community: OUR FUTURE IS TOGETHER!". Working in partnership, the school and community can better prepare our students for the challenges of the next century.

If you can, drop by your local school and help celebrate Earth Week and Education Week. Your participation could make a world of difference!



Pat Hillhouse  
Chair of the Board

Bob Williams  
Director of Education

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