We have heard that forecast for several years now. This all too predictable analysis of Canada's current economic malaise ignores two fundamental points. First, the Canadian economy went into recession a full year earlier than that of its major trading partners, principally the United States, and its effects will prove far deeper.

• (1510)

The second fundamental point is that it is far from clear that the world economy as a whole—beyond Canada, the United States and Britain—is in recession as this government would have us believe.

Continental Europe, Japan and especially the newly industrializing countries of southeast Asia continue to post healthy and in some cases quite remarkable growth rates at the very time that we in Canada are mired in recession.

Moreover, to the extent that the rest of the world will experience growth and an economic slowdown in coming months, it will likely be the result of the deterioration of the North American economy over the past year. It is still a formidable power able to drag the world economy down with it.

This real picture of where Canada stands raises a central question. Is Canada experiencing a typical cyclical downturn from which we can expect to rebound shortly with renewed vigour or are Canada's economic problems more deep-rooted? Are we experiencing a crisis of productivity, not simply a recession, which reflects the decline in our relative economic position world-wide? If the latter is the case, if we are experiencing a decline in our relative economic position world-wide then there is a danger in using the language of recession too freely. It masks the underlying fact that Canada's productivity growth, the real measure of our international competitiveness, has been at a standstill for almost a decade, since long before we entered the current period of recession.

Talk about recession distorts the real problem which is that North America, especially Canada, is systematically losing its ability to sell its goods and services on world markets.

Much of the blame for this state of affairs can be laid at the feet of governments over the last decade. Mammoth public and private sector borrowing during the 1980s both at home and abroad fuelled a decade of over-consumption. This in turn has numerous implications for Canada today.

First, this policy of ongoing borrowing has tended to crowd out necessary investments in Canada in industrial capital, research and development, infrastructure and human resource development. Such investments are critical to Canada's ability to compete in Europe, Japan and throughout Asia.

Competitors who long ago recognized that the quality of investments, and by extension the ability to innovate and upgrade continuously, are the new touchstones of success in a post-industrialized global economy.

Our poor record in Canada on research and development, our decaying roads, airports and railways, and our growing education deficit are symptomatic not so much of domestic constraints, as this government would have us believe, but of a fundamental misallocation of our national resources over the last decade.

Second, a decade of Keynesianism run amok has accumulated massive deficits not only at home but abroad, deficits which by definition must be paid back. They must be paid back at some point in the future either through greater Canadian exports, declining imports or a combination of both.

Most dangerous of all, these policies have created the illusion among Canadians that all was well, that our competitive position was secure.

As long as we had money to import an increasing range of products from abroad, which we did with such alacrity during the 1980s, and as long as our living standards continued to rise we were satisfied that North America's economic position was as unassailable as ever.

What was overlooked was that this consumption was being financed largely by borrowing, not by exports. Indeed, to a large extent, this recession we have all encountered today reflects the fact that neither governments nor the average Canadian can continue to borrow at levels reached during the 1980s. We have only to examine our more than $400 billion federal debt, our growing foreign indebtedness, and our inflated bond rates to recognize that our credit is all but used up. The party is over.