

A year ago critics were warning that the introduction of the GST would fuel the underground economy as businesses scrambled to avoid paying the tax. That perception is certainly being fuelled now by those same critics.

I ask the minister to tell the House, now that we have had almost a year of GST, if the underground economy is expanding. If so, is the GST responsible for it and, if so, what is he going to do about it?

Hon. Otto Jelinek (Minister of National Revenue): Mr. Speaker, as the hon. member knows, it was this government that had the courage to scrap the old outdated federal manufacturers' sales tax because of the impediment that it had on Canadian competitiveness.

We predicted, based on the tax roll, registration of between 1.4 million and 1.6 million registrants for the new value added tax known as the GST.

I am sure that all hon. members will be pleased to know that as of last month there were 1,727,975 registrants, confirming the New Zealand experience that much of the underground economy, not all of it but much of it, has come up from underground, taken advantage of the write-offs and the input tax credit for the benefit of Canada's competitiveness and Canada's economy.

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POVERTY

Mr. Sergio Marchi (York West): Mr. Speaker, my question is for the Minister of Finance.

It is hard to believe that metropolitan Toronto has been reduced to a city where one in five Torontonians live below the poverty line and over half of the city's homeless happen to be children.

I ask the minister: Why has this government been so indifferent to this colossal economic tragedy and when can Toronto expect federal initiatives to stimulate an area of the country that is indispensable for our national economic prosperity and reverse a social face that is becoming uglier by the day?

Hon. Don Mazankowski (Deputy Prime Minister and Minister of Finance): Mr. Speaker, the hon. member knows that we have several housing initiatives that are in place. One of the best ways to stimulate housing is to

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bring interest rates down and keep them down. That is clearly the most important way.

Mr. Marchi: But people aren't working, Don.

Mr. Mazankowski: Mr. Speaker, if he wants to ask me that question, I will answer that question as well.

The fact of the matter is that one of the bright spots in the Canadian economy is the investment in the housing sector which has increased by 17.2 per cent in the third quarter and that has brought housing starts in the month of October to 204,000, a 17-month high. That should be encouragement for everyone.

Mr. Maurizio Bevilacqua (York North): Mr. Speaker, I must submit to the Minister of Finance that if he is doing his very best then I think his very best is no longer good enough for Canadians.

This month, Toronto will reach a very depressing milestone: 100,000 welfare cases. The commissioner of Toronto's community services department says: "We are probably about where we were in the winter of 1938-39".

My question for the Minister of Finance: When will this government act on this serious crisis and bring back much needed hope to the people of Toronto?

Hon. Don Mazankowski (Deputy Prime Minister and Minister of Finance): Of course, Mr. Speaker, we are going through some difficult times. The recovery is certainly not as buoyant as we had expected, nor as buoyant as we would like. That is reflected as well in the global conditions.

As we just learned a few minutes ago, the OECD has revised downward its growth projections from 2.9 per cent to 2.2 per cent on average. The U.S. economy has been adjusted downward from 2.9 per cent to 2.2 per cent. Canada's outlook is still very promising according to the OECD and others because we have a plan. We are staying the course. We will continue to stay that course because that will provide the long-term basis for prosperity.

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[Translation]

TAXATION

Mr. Guy St-Julien (Abitibi): Mr. Speaker, my question is directed to the Minister of Finance.