

Oral Questions

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the hon. member makes reference to the goods and services tax. I am sure she knows this, but I draw to her attention that the goods and services tax is going to lower the cost of new investment, new buildings, new plants, new equipment, and new technology. As that new technology, investment, plant, and equipment come on stream, jobs will be created in construction. The competitive position of the Canadian economy will be improved.

While my hon. friend is correct in that there will be a one-shot 1.25 per cent increase in the cost of living, the ongoing impact of the GST is to reduce the inflationary pressures. It will reduce the cost of production of businesses, whether agricultural, fishery, resource, manufacturing, or service sector businesses. So, in a very real way, it will reduce inflationary pressures on an ongoing basis.

The important point that I think I should address in the hon. member's question is the simple fact of the 1.25 per cent increase in the cost of living does not mean that interest rates will go up. What the Bank of Canada has said on an ongoing basis is that it will be looking at the underlying rate of inflation in the economy. If that continues to ease, as it has, then we will be able to see some reduction in interest rates.

Some hon. members: Hear, hear.

Hon. Roy MacLaren (Etobicoke North): Mr. Speaker, my question is directed to the Minister of Finance. The continuing growth in the federal deficit has not only led the government to borrow offshore, but it has drained domestic savings to the point where the private sector, too, must look abroad for its borrowings. As a result, Canadian funds in the form of dividends or interest payments are going abroad at an accelerating rate, pushing the current account deficit to record levels.

Can the Minister of Finance tell the House what he plans to do to stem this increasing flow of Canadian wealth abroad?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the very clear direction that we have been following for the last six years is to get the federal government deficit down. We have been successful in getting the federal government deficit down against the opposition of the hon. member's party, not him, I might say, but all his colleagues in the House of Commons and

in the Senate today with the opposition to the GST. In every way that we have turned to get the deficit down, we have been met by opposition from the members opposite.

Some hon. members: Oh, oh.

Mr. Wilson (Etobicoke Centre): I hear the hon. members cheering that we are not getting the deficit down fast enough. They are doing this, Mr. Speaker—

Some hon. members: Shame.

Hon. Roy MacLaren (Etobicoke North): The minister knows very well, Mr. Speaker, that the debt has more than doubled since his government came to office. The minister also knows very well that the deficit is at a very high level, near the record levels of the past years. The minister knows that as well as I do. The Minister of Finance also knows that Canada can attract foreign funds only if the Bank of Canada maintains its high interest rate policy. Yet, it is that very same policy which is sharply eroding business profits, causing unemployment, and hindering the essential investments in our future.

How does the Minister of Finance propose to correct Canada's growing foreign imbalance when his own policies are crippling our export industries?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the hon. member says we made no progress in getting the deficit down. I should remind him it was \$38 billion in the last year of the government that he was a part of. In the last year, it was \$28.9 billion. As a per cent of our economy, it has gone from 6.7 per cent to 3.1 per cent of our economy, so we are making very real progress.

Some hon. members: Hear, hear.

Mr. Wilson (Etobicoke Centre): What I would say to the hon. member is he cannot have it both ways. Every time we have brought out a budget to get the deficit down, each one of the items that we have proposed to use to get the deficit down, his party, his colleagues, have opposed.

I agree with him, we should be getting the deficit down. But if the Liberal Party would stop sucking and blowing, we might get some more progress here.

Some hon. members: Hear, hear.

Some hon. members: Oh, oh.