

*Oral Questions*

[Translation]

**THE ECONOMY**

**Mr. Paul Martin (LaSalle—Émard):** Mr. Speaker, my question is directed to the Minister of Finance. Last week, the Minister admitted willy-nilly that Canada was in a recession. Yesterday, the Bank of Canada increased again its interest rates. Does the Minister believe that it is possible for Canada to get out of this recession while maintaining such a wide difference between our interest rates and those of our international competitors, including the United States?

• (1130)

[English]

**Hon. Michael Wilson (Minister of Finance):** Mr. Speaker, I might make an observation that the hon. member for LaSalle—Émard has changed the direction of Question Period because he is, I believe, quite uncomfortable with the position that the Liberal senators are taking on this particular issue.

**An hon. member:** Right on.

**Mr. Wilson (Etobicoke Centre):** I would challenge him to start asking questions which would support the position of the Liberal Party in the Senate because I do not think that he is too comfortable in it at all.

He is asking a question on the state of the economy. He probably has not heard today, but the gross domestic product in July was up from June, so this talk about a slowdown in the economy is not as serious as he is talking about. I have acknowledged that there is a slowdown in the economy, but I have said there is a very good reason for it as well.

When you have had a seven and a half year run of very strong economy, it is natural that there is some slowdown in the economy. We were seeing inflationary pressures building up. It was important to get those inflationary pressures under control. This is what I anticipated in my 1989 and my 1990 budget and this is what is happening.

As we go through this period we will be building the basis for a strong recovery in the economy which we anticipate will happen next year.

**Mr. Paul Martin (LaSalle—Émard):** Mr. Speaker, I would like to tell the government what makes me uncomfortable. It is the incredibly faulty economic analysis which I have just heard from this minister.

**Some hon. members:** Hear, hear.

**Mr. Martin:** We are in a terrible, terrible recession. We are in this recession because of the failure of this government to bring adjustment measures following upon the free trade agreement. We are in a recession because we have an absurdly high level of the Canadian dollar. We are in this recession because of incredibly high interest rates which this government has inflicted upon the Canadian consumer and Canadian industry. We are in a recession because of the threat of inflation brought about by the GST.

My question relates to what every single business person and consumer in this country knows, and if the minister does not understand it, he ought to go back out and start talking to people who are suffering the ill effects.

My question is: how does this government think we can compete? With the outdated economic policies of this government, how does it think that Canadian industry can modernize in order to compete in a very different world and if our cost of capital is so much higher than any of our competitors?

**Hon. Michael Wilson (Minister of Finance):** Mr. Speaker, we have just heard some great rhetoric, but I notice that the hon. member did not make one mention at all of the comments that I made about the Senate.

I think the hon. member is feeling just a little bit uncomfortable with the position of his party here and in the Senate on the actions that the Liberal senators are taking.

Let me answer this hon. member's question directly. He referred to the importance of new investment, of becoming competitive, of getting this country in a position where we can compete effectively. Let me ask him then why he is opposed to the GST which will help our exporters compete more effectively. It will put our Canadian producers in a more competitive position as under the existing sales tax, importers pay one-third less tax than the companies they compete with in Canada.