

why is he persisting with a tax that is not only unfair but, by his own admission, highly inflationary?

**Hon. Michael Wilson (Minister of Finance):** Mr. Speaker, let me point out that I am not obsessed with one particular economic indicator. In the review of our economic policies, we review the widest range possible of economic indicators and arrive at our decisions based on that.

• (1120)

It is very clear that economic history—the lessons that we learned in the late 1970s and early 1980s—fully support the position that we have taken. At that time the government ignored the economic indicators and led us into that most serious recession in 1981–82.

**Mr. Mills:** That's not true.

**Mr. Wilson (Etobicoke Centre):** Hon. members opposite are saying that is not true. That is absolutely true and people who have reviewed the economic history of that time fully agree with the position that I have taken and stated in the House today.

The hon. member has commented on the goods and services tax. Let me make a few points here. The first is that with the goods and services tax the cost of doing business for agriculture, the resource sector, the manufacturing sector, and the service sector will be reduced. That is going to help our ability to keep the levels of inflation down.

The hon. member has said I have made promises. I have not made promises about what is going to happen with prices. I have pointed out that the transition from the existing sales tax to the goods and services tax should result in a one-time only increase in the cost of living of 1.25 per cent.

If, at the negotiating table, business and labour try to take more out of the economy than it is capable of delivering, then we could see a higher level of inflation. That is a danger that I have been pointing out. That is why I have been calling on the business community to make it absolutely clear that they will pass on these savings to the consumer so that we do not have that inflationary surge.

[Translation]

**Hon. Herb Gray (Leader of the Opposition):** Mr. Speaker, interestingly, the minister has finally admitted

it will be impossible for him and for the government to force businesses to pass on any advantages or benefits of the GST to the public—to consumers in general.

My supplementary is also directed to the minister. Last Wednesday, Mr. Laurent Thibault also stated that the government's current policy, which includes a rapidly increasing tax burden, high interest rates and an artificially overvalued Canadian dollar, is having a severe impact on the competitive position of Canadian manufacturers. Those were Mr. Thibault's words.

Furthermore, Mr. Thibault asked the government to change its monetary policy which is penalizing the entire Canadian manufacturing industry.

My question to the minister is this: When will he finally realize that his policies are not working and that he is the only one who still believes they do?

[English]

**Hon. Michael Wilson (Minister of Finance):** Mr. Speaker, let me just point out that there are many organizations which have said that they are going to pass on those savings to the consumer.

The head of the Ford Motor Company and Mr. Peapples, the head of General Motors, have said that they will pass on these savings to the consumer. The result will be the reduction in the price of a \$20,000 car of \$600. That is very important. The price of a \$20,000 pick-up truck for a farmer will drop by about \$2,000. There are very real savings which the industries involved have made it very clear they are going to pass on to their consumers.

I want to comment on the member's reference to Mr. Thibault. Mr. Thibault said that the goods sector in the economy, the manufacturing sector and some of the companies in the resource sectors, are being very clearly impacted by the policies that we have been following. I understand that. But I have pointed out to people in the manufacturing sector that it is the service sector and the government sector that have been problems in holding up the expectations for inflation.

We heard from the Province of Quebec yesterday. It increased its program spending by 8.5 per cent with an economy that has an inflation rate of about 5.5 per cent. These are the things that I am concerned about.