

better way to keep inflation down than to introduce a tax which is universally recognized as inflationary?

What does the goods and services tax mean, therefore, in terms of interest rates? It means inflation, resulting in the government jacking up interest rates even further, according to that logic if we can call it logic.

Let us look next at the relationship between high interest rates and the deficit. We must recall that this government is "dead serious about reducing the deficit" and that we have often proposed that one of the best ways of reducing the deficit is to bring interest rates down as was proposed by the all-party finance committee.

By the finance minister's own calculations a 2 per cent reduction in interest rates would bring the deficit down by \$3.2 billion in the first year alone. Let us make sure that we all fully grasp the logic of all this. The government claims that its No. 1 enemy is the deficit. The government is deliberately implementing an interest policy that pushes the deficit out of control and, to complete the circle, the government is imposing a goods and services tax which will add to inflation according to its own assessment.

We then have a goods and services tax which raises inflation and puts pressure on interest rates. What then is going to happen to the GST rate if interest rate pressures on the deficit grow? Of course it is going to go up.

I think Canadians know the process without being told, but I do not think the government knows this. It has a goods and services tax that leads to inflation. Inflation according to this government leads to high interest rates. High interest rates lead to a huge deficit, which leads to an increased goods and services tax.

There is a simple lesson which Canadians have learned long before, without it being pointed out by me. That is why 74 per cent of Canadians are saying that this tax must go.

[*Translation*]

Perhaps we should tackle this issue from another angle. How will the GST contribute to spur the economy and create jobs?

Government Orders

Allow me to give you some of its effects. Basically, the more heavily one is taxed the less money one has left to buy goods and services. Since they already have a limited budget, the workers will have to make fewer purchases.

High interest rates and a lower standard of living will reduce demand for consumer goods and lead to smaller wages and lay-offs. High interest rates mean an inflated Canadian dollar.

As we saw last year that translates into fewer exports and a good many plant closures.

Small and medium-sized businesses are the main source of new jobs in this country and, by forcing them to administer this tax, the government will create serious problems for thousands of such businesses. So much so that they no longer will be able to create new jobs. On the contrary, they will have to eliminate existing jobs.

[*English*]

All this compounds an already intolerable situation caused by this government's trade deal with the United States. I along with millions of Canadians heard the Minister for International Trade say last week that it is really too early to tell about the effects of the trade deal. I say that it is too late for those workers at Inglis, at Outboard Marine, at Dominion Glass Plant in Redcliffe, Alberta, the Campbell Soup company workers in Portage la Prairie or thousands of Canadians working in the fisheries.

I want to say a few words about alternatives. While the hon. Leader of the Opposition spoke eloquently against the goods and services tax he did not in reality offer real alternatives. I want to say that we have presented to this government alternatives, alternatives which I am happy to debate with the minister. There have been dozens of alternatives proposed in hearings across this country on the goods and services tax.

First, most people understand that we do not have a fair tax system. It is not that people do not want to pay their fair share; it is that we do not have a fair system. It is that increasingly individuals have paid the largest tax burden where in the past it was corporations. This government has done nothing to redress this imbalance. It has only increased it by reducing the general federal corporate tax rate from 36 per cent to 28 per cent in