

Government Orders

Ms. Lynn Hunter (Saanich—Gulf Islands): Madam Speaker, I would like to comment on the previous speaker's argument for a restructuring of the tax system. I do not think there is any doubt that that is necessary.

I know, having just returned from my riding, that the opposition to the goods and services tax initiative is very widespread. No amount of beating the drum about concern for the deficit will bring about support for that initiative. Small business operators in my constituency are outraged that this is the way the government is trying to address the deficit concern. I was able to tell them—and perhaps the hon. member would like to comment—that program funding has been less than government expenditure over the last two years.

The real problem is interest rates and relates to this government's mismanagement of the fiscal house of this country. The government should have the courage to talk about the interest rate policy and to address the outrage, the obscenity of high interest rates and how they are affecting the small business community in my constituency and elsewhere. It is the small business operation that creates jobs in our country. It is the small business operator that creates wealth.

How does the hon. member respond to the analysis that high interest rates are making the debt grow rather than program financing?

Mr. Malone: Madam Speaker, I concur with the hon. member for Saanich—Gulf Islands when she recognizes, as do most of us in this House, that small business is the engine of our society and will certainly make Canada grow, both in terms of the amount of generation of wealth for the country and in terms of the number of persons employed. It is not the large business sector which does that.

• (1800)

However, I do want to respond to two parts of her question. First, the GST. I strongly support the goods and services tax because I believe that it is a far more fair method of taxation than the present manufacturers' sales tax.

I would like to give the hon. member an example from an area very near me of a person who builds luxury motor homes. He buys the frame and the engine and pays the manufacturers' sales taxes on it under today's

system. He buys the shell of a motor home, pays the manufacturer's sales tax and installs it. He buys the carpet, the cabinetry, the television set, the telephone, the radios, the couches, the swivel chairs, the tables, and virtually everything else that goes into it, and on every item pays a manufacturer's sales tax. The person adds up all of those costs, puts on his portion of profit and then, because he is deemed to have remanufactured, now must add on a manufacturer's sales tax.

Can the hon. member tell me how that helps Canadian small business persons in a competitive world? Does that not mean that more manufactured products are going to be made in the United States? Is it not the reason why we are trying to get from under the flood of imported products coming into our country by changing a high tax at the manufacturing level that cascades through to all of those various levels from there on, through transportation, through wholesale to retail. It increases the tax and then arrives for the people of Canada to pay in a hidden way. It limits our capacity to export and increases the potential for import products. I ask the hon. member for Saanich—Gulf Islands to defend that to the small business person as an appropriate way of doing business.

The hon. member also made a comment about interest rates. Let us take a look at the question of interest rates. We have, in this country, this year a living example of what happens with interest rates. It would be very nice to be able to flick our fingers and phone up the Governor of the Bank of Canada and say: "Lower the interest rates" by some percentage, 1 per cent, four per cent, 10 per cent, or whatever the NDP would choose as a nice number. The NDP might like to have no interest rates, no cost on capital at all.

However, the NDP should bear in mind that the Governor of the Bank of Canada tried that once already this year. He lowered the rate by a quarter of a per cent and within a week the run on the dollar was unbelievable. It cost this country a couple of billion dollars to shore up the dollar because of the run on the dollar. What is the situation with members of the NDP? They ignore that incident that took place within the last 60 days. They do not bear in mind some response to the extent to which Canada is beyond its capacity to pay. It is not only the federal government that is borrowing, but provincial governments, municipal governments, plus Canadians themselves.