

Income Tax Act

That is the economic adjustment which seems to be the thrust of his policy, according to the Economic Council of Canada.

In the event that someone will argue that the Economic Council of Canada is a group that cannot be trusted, or that somehow they are prejudiced and therefore we should not believe them when they say that this minister's energy policy will make things worse, I should like to bring to the attention of the House a document called "The Canadian Review" by Data Resources of Canada, a Toronto-based company which is in the business of economic modelling. They, too, have a model of a Canadian economy, they too have analysed this budget, and they too have some observations to make about the budget. They say:

—the budget nevertheless has a restricted impact on real economic growth in the short run. Because of lags in the response of households, firms and governments to the new energy incentive programs, expenditures likely will expand more slowly than revenues until well into 1982. The budget therefore represents one more force weakening the prospective recovery in 1981-82.

They go on to state:

In comparison with the base solution with no policy changes—

In other words, no budget.

—the economic effects of the budget are more pronounced since the assumed changes in energy prices are larger. Consumer prices are increased by 1.2 per cent in 1981 and by 1.7 per cent in 1982. Real GNP is reduced by 1.1 per cent in 1981 and by 2 per cent in 1982.

So they too conclude, as the Economic Council of Canada concludes, that the budget will make things worse by at least 1.1 per cent in 1981 and by 2 per cent in 1982, worse than projected by the government. However, the Data Resources group, to their credit, also looked at the secondary effects of that economic policy. They analysed the fact that because the government failed to reach an energy agreement with the producing provinces, the government of Alberta has put on hold certain large projects, and therefore a number of companies have decided that they will shelve their plans. As a consequence, many of the things that were anticipated, such as new tar sands plants, new heavy oil plants, new development of oil and gas, will not be occurring.

The Data Resources group has done an analysis of this and has found that the aggregate effect of the secondary developments, which were not analysed by the Economic Council of Canada or by the Department of Finance, are to further reduce real output for 1981 by .7 per cent and by 1 per cent in 1982, with a considerable loss of revenue to the federal government. The cost to the federal government, for example, is an increased deficit in 1981 of 1.2 per cent and in 1982 of 2.5 per cent, which means that the figures which the Minister of Finance gave with regard to the reduction in the deficit, when he said that the deficit in 1981 will be \$14.2 billion and then it will be a little bit lower in 1982, a deficit of \$13.7 billion, are incorrect. According to the Data Resources group, it will not be \$13.7 billion next year, it will be \$15.2 billion. In fact, the deficit will continue to increase. I do not think there is any doubt about that, but presumably by then the Minister of Finance will be off in some new high office and he will not have to worry about it, but will let the next minister of finance worry about accounting for the fact that there is this discrep-

ancy between predictions and actions. It is alarming and I think it should be of concern to real Canadians—

An hon. Member: What a slip!

Mr. Andre: —to all Canadians—it is the same, real and all Canadians—to allow that kind of misinformation, if you will, to allow our politicians to get away with misinforming the public when in fact they know that the situation is quite different.

Precisely what is wrong with our economy and what should be done to change it? One of the better analyses, the recent terse analysis in the popular media, was, I thought, done by Don McGillivray of Southam writing in the *Montreal Gazette* of January 14 where he describes those who believe that there is a trade-off between inflation and unemployment and those who believe that by increasing unemployment you can then reduce inflation. He describes these people as being the people who wrote the MacEachen budget last fall. He writes:

They produced the Thatcher economic policy in Britain. They seem to be gaining the upper hand in the incoming administration of President-elect Ronald Reagan in the United States.

He goes on to say that these people who believe that there is a trade-off between inflation and unemployment "talk in a kind of code about 'restraint' and 'gradualism' and 'disinflationary demand policies'."

● (1510)

If those words sound familiar, it is because they have all been used by this Minister of Finance. The last phrase was used by the deputy governor of the Bank of Canada. This is a tipoff as to what is really involved. They are all, according to McGillivray, and I share his views, followers of the economic policies of John Maynard Keynes who believes the government could use its budget to add to the demand for goods and services when things are slack and thereby raise the economy, and it could reduce demand by cutting its own spending and taxing away some consumer money when things get overheated. Then he describes that people these days are one-way Keynesians who seem to be in charge and seem to think if you raise interest rates, people will stop buying cars and houses, which will cause the producers of cars and houses to lower their prices and will cause some people to be put out of work and thereby will lower their expectations, so the whole thing will have a disinflationary effect. But, as he points out, the fact of the matter is the Keynesian policy just does not work any more, and it has not worked. The reason given by Mr. McGillivray, and I think there is some validity to this, although I do not think it is the whole story, the fact of the matter is that people who are out of work do not stop consuming. They stop working and they stop producing, but they do not stop consuming.

An hon. Member: What do you want them to do, starve?

Mr. Andre: Members of the New Democratic Party apparently are not willing to listen to any criticisms of that great guru.