

*The Budget—Mr. Mackasey*

pooled with that of all other members of the House and other Canadians who may not have to be concerned about inflation or unemployment, can assist in providing funds at least to soften the negative impact of inflation on less fortunate Canadians.

**Mr. Riis:** What about people making \$12,000?

**Mr. Mackasey:** The hon. member, one of my favourites, should not interrupt, because when we subsidized interest rates last night for the small-business man, the farmer and the fisherman, we subsidized those people who until last night had to fight against inflation in Canada by themselves.

What we did last night is in good Liberal tradition and overdue by my standards, if I may say so. Some of the real losers in the fight against inflation were those young Canadians who purchased a home. I have bought homes in my day when it was necessary to pool our money, when two spouses who went out to work had to cut expenses in order to put down a downpayment on a home. We knew we could meet those downpayments as long as no unforeseen circumstances arose. In the old days it was sickness that you did not want to happen. Today, you are suddenly faced with renewed mortgage rates which five years ago would have been considered usurious. Those people are the real victims of inflation.

What did the Minister of Finance (Mr. MacEachen) do? How did he tackle inflation? Once again I depend on the people who know, and I refer to Thurow's very excellent book, "Five Economic Challenges" in which this leading economist reminds us that inflation has been around since before Christ, that there is no great magic to fighting inflation, and that if you want to create a major recession, you can reduce inflation to zero. In fact, West Germany and Switzerland did it a few years ago when they dramatically cut down the money supply. This drove its unemployment rate sky high, so then sent the unemployed back to Portugal, back to Greece, back to Italy. We do not have that luxury. That is out.

• (1740)

Thurow said that mandatory controls could be imposed. In a federal system, we all know of the undesirability of wage and price controls, although they will work in time. However, there could be voluntary control. If every single Canadian listening were to reduce his or her expectations voluntarily, and voluntarily limit his or her income to 6 per cent, inflation would drop dramatically. But this is utopian. We do not live in a perfect society. No one has ever been able to create that kind of atmosphere.

"We can balance the budget" is one of the favourite clichés of the business community. For 20 or 30 years, Portugal has balanced its budget. It also had the lowest standard of living in Europe, no roads, no schools, no hospitals, no quality of life. It was never quite able to find the money to finance these necessities in the same year that it wanted to balance the budget. What is left? Obviously, and I think properly, the minister has tried to combine voluntary restraint, which we exercised to some degree last night, mandatory control, while we have some

control, some influence, some public service, and a continuation of a reasonably tight money policy in the hope that the mixture will have the desired results. It will, because as Thurow reminded us, even an abnormally absurd tight money policy such as that in Great Britain will work in time. Mind you, it will create social unrest, destroy the economy, reduce capacity to about 30 per cent and eliminate productivity, but it will certainly cure inflation. I do not think that we want to go that way in this country, particularly when it is within the capacity of Canadians, by practising a little self-restraint, to make such an undesirable option unnecessary.

Thurow identified inflation fighters, and I enumerated some of them. Many people are affected by abnormally high, usurious interest rates, such as the couple, one of whom is suddenly out of work, the farmer who is going bankrupt because he cannot find money for seed, the fisherman who cannot finance new nets, or the businessman who cannot meet payrolls. We cannot go on in this way. We must share the burden. What we did last night was legitimate and overdue. It was liberal policy, and I mean small "l" liberal. It was something which should appeal to anyone out there who has any concern for his fellow man. The government, through the minister, by imposing some extra income tax on those of us whom Thurow classifies as the victims or the winners of inflation, by asking us to share \$800, \$1,000, \$200, or whatever the amount is per year, depending on one's tax bracket, has provided a billion or so dollars which can be used, at least to relieve the agony and suffering of those who have willingly or unwillingly been the legitimate fighters against inflation. When we subsidized the interest rates of the farmer, the fisherman or the small-business man through the budget last night, we gave him hope. We provided him with some direction and leadership. We said, "We care. Although we cannot bring your interest rate down to zero, because of the selfishness of the Americans, we can at least subsidize you and share your burden through our taxes." It is common sense. We find it in the Bible, in either Testament. It is logical, from a selfish point of view, and in everyone's interest, including that of the business community. When we said we would provide some seed money, if you like, we would help provide the down payment for people who want to buy a home, we were taking the first legitimate step toward restimulating the economy and reducing the level of unemployment in this country.

I am proud that the minister did not bow to the temptation of increasing the deficit, not because I think it is bad but, rather, because I can hear the whole reactionary group out there condemning the minister if he were to increase the deficit. That would be a tragedy. He did not bow to the temptation of interfering with automatic regulators, reducing the unemployment insurance benefits, or any of those alternatives. He stuck to Liberal philosophy. He stuck to his care and concern, for which he has been well known in his 20 years of public record in this House.

**Mr. Riis:** What will happen now?