

The other day the chief economist for the Conference Board of Canada said that realistically it is not practical to suggest that Canada by itself and its government could solve all the problems of the western economies. The United States has high interest rates. Canada has high interest rates. Unemployment is high in the United States, and we too have high unemployment in Canada. Fortunately for the Americans, some success has been achieved in reducing inflation. The Americans have had more success than Canadians in this area. If Canada is to pull itself out of the recession, we have to do what is necessary to resolve inflation. We have to bite the bullet. This will not be easy, but that is honesty and responsibility in government, and that is what the Minister of Finance (Mr. MacEachen) did last night.

We cannot escape the fact of our deficit. The minister was most candid about the deficit and the size of it last night. Canada's deficit is \$19.5 billion. At present over 20 per cent of federal expenditures go toward debt servicing.

Let us be honest and examine what options the government has before it in terms of trying to pull this country out of a recession. First, can we spend our way out of it? If we are to listen to what the hon. member for York-Peel (Mr. Stevens) said, I guess we cannot spend our way out of it. I do not think we can afford to let the percentage of federal expenditures allocated toward servicing the debt go up indefinitely. Were we to do that and were we to wind up with bigger and bigger deficits, we would find ourselves in a sink hole from which we might never recover.

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Now, what would the NDP have us do? I suggest that they are consistent. They would tell us to spend, spend and spend. They would have us create more jobs and if, in the process, we go deeper in debt, the dollar drops lower, the cost of imports were to go up and, if necessary, we would have to put restraint controls there, it would be fine. They seem to be prepared to do that. I do not happen to think that that is a responsible approach to bringing the country out of a recession.

Is it possible for the government to provide everyone in the country who is unemployed with a job? I am sure we would like to be able to do that through direct job creation, but the simple fact of the matter is that we cannot afford it. However, what we can attempt to do is to employ a reasonable program that can try to provide some stimulus to some areas in particular that are hardest hit by unemployment. In the long run, if we wanted to shift the nature of Canadian society to a socialist society, perhaps everyone would have a job, but we may wind up in the position of a country like Poland. I was amused to read an article about the recent economic crisis there in which a worker is reported to have said, "Here we have several myths. The government pretends that everyone gets paid, and everyone in return pretends that they work."

That is not what the Liberal Party is all about. Contrary to what you may believe, if you listen to the hon. member for

The Budget—Mr. Smith

York-Peel, this is not a socialist party. This is a party and a government which believes in social justice. We believe in social justice within a free enterprise fabric.

Mr. Huntington: That is not so. That used to be so.

Mr. Smith: Let us review some of the other suggested options. What about artificially lowering interest rates? We hear about this day in and day out from the official opposition. If we were to accept what the hon. member for York-Peel just said at face value, we should not be interfering in the laws of supply and demand. We should not be interfering in market forces. But, on the other hand, we hear from some of his colleagues in his caucus on a daily basis that we should artificially lower interest rates. I suggest that we should all recognize that for every person who borrows, someone is lending. The simple fact is that if you can get a higher return for your money in the United States than in Canada, most people will move their money out of the country to the States where they can get a higher return.

Mr. Huntington: What about Switzerland? What about Japan?

Mr. Smith: There are a number of results from an outflow of capital from the country. The value of the dollar drops. The cost of imports rises. This triggers another inflationary spiral which, in turn, results in pushing interest rates. That is not a reasonable and practicable solution to the problem.

We occasionally hear as well that the economy can be stimulated by inflating the money supply, printing more money and combining that with lower interest rates. All of the conditions which I have just mentioned would occur if we took that approach and just abandoned caution with regard to the deficit. This would put us into a very deep sink hole.

However, these approaches are suggested rather glibly by some members opposite—I am not suggesting by all of them—on almost a daily basis. I would suggest that if we took that approach, the cure would be worse than the disease. I would suggest that some members of the opposition do the people of Canada and the political process in Canada a disservice when they suggest that there is, in fact, a quick fix that is available, an easy answer or options to turn to. Those members are heavy on criticism from their side but very light on alternatives.

Mr. MacKay: We noticed that about you also.

Mr. Smith: As I say, at least with the New Democratic Party you get the party line regularly, which is to spend and not worry about the deficit. They want more government hiring and more state control, which is not the route the government wishes to follow or this party wants to follow. However, when it comes to the Tories, you have to put your glasses on to see which ones are wearing a red shirt and which a blue shirt.

Another factor which I believe has contributed to the impression many Canadians have that there are in fact quick fixes and easy answers available has been the role of the