

Hon. Bryce Mackasey (Lincoln): Mr. Speaker, I will not, of course, attempt to answer the observations of the hon. member from Newfoundland for whom I have a great admiration and a certain envy, I suppose, for his facility with words and his colourful expressions. I am sure when he spoke about deception that he was not referring to his definition of deficit in comparing it to per capita rather than to the GNP. I am sure the hon. member will not mind if I put some facts in *Hansard* dealing with the deficit, although that will not be my main thrust today.

However, it might be of interest to members here to know that in 1942 and 1943 the deficit in this country represented over 20 per cent of the GNP. The only meaningful ratio when defining or discussing a deficit is in its relation to the GNP, which is the ability to repay that deficit sooner or later.

It might surprise some hon. members to know that after the budget last night the OECD papers indicate that that ratio in Canada will be 5.2 per cent next year and that in the United States the ratio will be 5.4 per cent. Our ratio compares favourably with that of most trading partners. As I have already mentioned, it is but a fraction of a ratio in relation to the GNP which prevailed during the war years of 1942 and 1943. I do not become overly concerned about a deficit, an attitude which, I admit, may be unorthodox. I would only worry about the deficit if we printed money to offset it, because this would be inflationary.

● (1730)

In what little research I have conducted I have failed to come across any concrete examples in North America, Canada or the United States, where the government and private enterprise have had to fight for the same pool of capital. I want to talk in a serious vein because as the former minister of labour and manpower, one who really cares for this country, I have always had a concern for the unemployed. I am old enough to remember the hungry thirties. When I tend to get callous around this place, I reread the book entitled "The Ten Lost Years" to remind me of the impact of the recession or depression in the west. I want to say to those people who are listening that the first thing that we must do to move toward recovery is to appraise realistically what we can do as a nation and a government. For instance, there is nothing the government can do about the price of commodities. There is nothing the government can do about the fact that copper is selling at 58 cents a pound, which is a historic low that has been unmatched since the 1930s. This situation exists as well for resources such as zinc, lead, and lumber. While this is of very little consolation to our hard-pressed mining industry and to those who live on the production of natural resources, I do not believe that even our greatest critics would presume for a moment that there is anything we can do as a country to increase the cost of these commodities. Sooner or later the economic fortunes of our trading partners will improve. Copper, silver, gold, zinc and lumber will increase in price. Therefore, the very important question for the country to ask is: will we be in a position to take advantage of the economic resurgence of our trading partners? Will we be competitive in six months, nine months or one year from now, or even sooner,

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when our traditional trading partners turn to Canada to see what the cost of our raw materials will and should be?

We will not be competitive with a 12 per cent inflationary rate, and this is the message which I think must be echoed again and again in Canada. With a 12 per cent inflation rate we are running the risk of pricing ourselves out of the competitive market. I believe that most Canadians appreciate and understand that fact.

Inflation is something that we cannot ignore, although most of us do. Ironically, unlike unemployment where everyone is a loser, there are winners and losers in the fight against inflation. My favourite economist, Lester Thurow, wrote a book just two years ago. I know that the hon. member who just sat down read that book. Thurow talks about a zero-sum society. He lists the winners and the losers in the fight against inflation. It is very easy to discern who the winners are at the present time. They are very decent Canadians who are listening to this debate. They are those people with money in the bank; senior citizens, young people, people who have saved money which they have earned or have invested. Their money is in the bank earning 16 per cent, 17 per cent or 18 per cent interest rates. They are the winners right now. Ironically, inflation works to their benefit.

Other winners are those who have their wages or income totally insulated from the negative impact of inflation through COLA clauses. Other winners are those with job security who are hardly affected by inflation. I do not begrudge them their insulation. I derive no pleasure from categorizing them as winners, and I do not use it as a derogatory term. Perhaps it is just my way of stating the facts.

The losers in the fight against inflation are the ones who concern me. They are obvious to all of us who care. They are the 1.2 million Canadians who are unemployed through no fault of their own. They are the ones whom Thurow described as the inflation fighters. They are the 1.2 million Canadians out of work because of the tight monetary policy of this government—a legitimate tight monetary policy which exists in virtually every industrialized country of the world.

It is not hard to tell who the losers are. Other losers are the small-business men who, because of the American interest rate policy and our inability to ignore that policy, must borrow to survive, to meet their payroll and cash flow, let alone just expand their businesses. Unless things improve small-business men are destined eventually to go bankrupt in large numbers, if it has not already happened. As well, larger business concerns—some of them household names—have cash flow problems. I could go on and on listing the losers, according to Thurow.

The point I am making is that the Liberal government made it very clear last night in the budget that we feel it is time to share the burden in the fight against inflation. It is time for those of us who are fortunate enough to be categorized winners to assume our moral and legal obligation to spread the impact of inflation in Canada. I do not regret for one minute the increase in my taxes or the deindexation if that money, when