

*The Budget*

Madam Speaker, is it any wonder that Canadians are confused? Is it any wonder that the money markets do not know how to respond? Is it any wonder that investors are concerned about what is happening with this government?

Statistics Canada tells us that inflation in the economy in January actually fell from 5.1 per cent to 4.5 per cent. The reason the over-all inflation rate was at 5.5 per cent was because of federal sales tax increases. We have heard about no new taxes. There was a federal sales tax increase inflicted on Canadians by the minister in last year's budget and it is pushing up consumer prices. The minister hits us with more taxes which cause inflation. Then he punishes everybody for his own actions by causing interest rates to increase to their highest point in eight years.

The recent hikes in interest rates bring up a couple of questions. First, the minister has told us that when his goods and services tax takes effect in 1991—that is a new tax, incidentally, that has not passed through Parliament yet.

**An hon. member:** Was that mentioned in the budget?

**Mr. Young (Gloucester):** No, there are no new taxes. Canadians might find themselves a little surprised on January 1, 1991 unless we are able to block the goods and services tax. It certainly is a proposed new tax.

In any event, the minister says: "Don't worry. Don't worry because interest rates won't rise when the GST comes in." He says that he and Mr. Crow understand the difference between normal inflation and inflation caused by sales tax increases. So, even though the GST will push inflation up by about 1.25 per cent according to the department's figures, he and Mr. Crow will have nothing to do with raising interest rates because the inflation caused by GST is a sales tax thing and is only going to happen once.

Mr. Crow's decision to move the interest rate to 13.32 per cent last Thursday because federal sales tax increases pushed inflation up by 1 per cent in January I think demonstrates quite clearly that Mr. Wilson may understand the difference but Mr. Crow thinks that inflation is inflation, no matter where it comes from. I think we can all predict how he will react to inflation in January 1991 based on how he reacted to inflation based on sales tax increases in January 1990.

Mr. Crow and the Bank of Canada will raise the interest rate as much as he thinks it needs to be to slow the impact of the GST-induced inflation. The Minister

of Finance should stop misleading Canadians when he says that the GST will not increase interest rates. He is wrong. He knows he is wrong. The track record shows he is wrong. He should start telling Canadians what the truth is about the GST. The goods and services tax will be a new tax in 1991 that will cost Canadians money, will cause higher interest rates and will cause higher inflation. The cuts in this budget which the Minister says contains no new taxes is really in fact the price we are paying now for the GST that will come in next year. It is as simple as that. It is going to cost the government, according to its own figures, \$1.8 billion just to bring in this tax.

Another question which needs to be answered is whether the tax increases which occurred in January were really necessary. According to the minister's budget documents—and this is from last year's documents—the sales tax increases on construction materials, farmers' fuel and gasoline were expected to raise about \$700 million in new taxes to help reduce the deficit. The interest rate increase which was caused in part by these very same sales tax increases cost the government another \$800 million in interest charges on the debt. So, overall, the new sales tax increases which took effect on January 1 of this year will actually increase the deficit by \$100 million. That is Tory economics at their best; higher taxes, higher inflation, higher interest and a higher deficit.

**Mrs. McDougall:** And more and more jobs.

**Mr. Young (Gloucester):** Well, Madam Speaker, we have just heard from the Minister of Employment and Immigration who talks about more jobs. The fact of the matter is in the budget documents it is clear that the Minister of Finance expects fewer jobs. He is talking about an increase in the rate of unemployment in the country and says it is necessary to get inflation under control.

I do hope that the Minister of Finance has consulted at least with his colleagues on this matter because there seems to be a difference of opinion.

**An hon. member:** She hasn't read the budget.

**Mr. Young (Gloucester):** When the minister came into office in 1984 the government collected \$71 billion in taxes. That is what the take was, \$71 billion. Next year the Conservative government proposes to collect \$119 billion in taxes. In five and a half years taxes have gone up by \$48 billion. Unbelievable. The Conservative government has subjected Canadians to 32 separate tax increases since 1984, giving, I think everyone will agree,