

*The Budget*

Number three, after following that, has this government the will to make some kind of projection so that it brings the deficit down to zero? Does it have confidence in itself that it will bring the \$25 billion in 1996-97 down to a zero base within the next two years? If the government thinks it can, why does it not say it?

**The Acting Speaker (Mr. Kilger):** The member is splitting his time with his colleague from Capilano—Howe Sound. I give an undertaking to the member of the official opposition seeking the floor on a question or comment that if he should so choose on the next intervention I will recognize him.

**Mr. Herb Grubel (Capilano—Howe Sound, Ref.):** Mr. Speaker, I think that without malice it is useful on the occasion of this budget to recall what Liberals used to say on such occasions: "The budget cuts of \$6 billion out of general government programs are slash and burn. They will lower the quality of government services that Canadians expect from their federal government as a matter of sacred trust. The firing of 42,000 civil servants is heartless and without compassion". The Liberals would have said it destroys forever the sanctity of labour contracts, it is equivalent to union bashing.

The biggest indignation Liberals in opposition would have reserved would be for the close to \$4 billion cuts in transfer payments. They would have said: "It will make it impossible to enforce national standards on health and higher education and; heartless and without compassion on welfare. This is the proverbial slippery slope where Ottawa and the upholders of standards of compassion will lose their grip. The country will fall apart. It will become just like the United States. Oh, my god. There will be beggars on the street. The poor will have to commit crime. People no longer feel like Canadians because when they move from one province to another they will get lower welfare rates, can you imagine that, inferior universities and different health standards".

They would say the deficit problem is being solved on the backs of the poor, those least able to defend themselves. The Liberals in opposition would have said the gasoline tax increase is a tax grab and regressive because of all those with lower and middle incomes who have to use their cars to go to work. Worse, the tax measures did not tax the allegedly obscene profits of banks. They did not raise the tax on the rich or expropriate wealth by an inheritance tax.

The finance minister when he was in opposition used daily question period to ask the government to lower interest rates. He now refuses to. He did not order the governor of the Bank of Canada to lower interest rates and the debt burden. What is wrong?

• (1345)

I am sure the Liberals when in opposition would have used this opportunity to remind the government of broken election promises. The regressive, expensive, annoyingly complicated

GST is still there and will be used to grab another \$2 billion from Canadians, many of whom are poor. There is still no new day care facility. NAFTA is sucking jobs to Mexico.

The rat pack would have hurled the ultimate insult at the opposition. They would have said: "They are slowly eating their red book". For a summary indictment, these Liberals would have used: "This budget sounds like the agenda of right-wing think tanks and horror or horrors, like the program of the Reform Party". We proudly say that this is so.

I am not a Liberal and I will not use these slogans to criticize this budget. Its shortcomings are fundamental and frightening for anyone familiar with history and the power of compound interest.

During the 1980s my economist colleagues and I would sit at the lunch table at Simon Fraser University. We discussed the successive budgets of Michael Wilson, who sounded just like Paul Martin—like the present Minister of Finance. I apologize, Mr. Speaker.

**The Acting Speaker (Mr. Kilger):** I would like to remind members to not refer to one another by name, but by riding or ministry.

**Mr. Grubel:** Mr. Wilson would say: "We had to face financial reality. We had to take tough measures that will transform the way the Government of Canada works. In doing so we have turned the corner. We have stabilized the debt to GDP ratio. The next budget will bring it down. We are well on the road to fiscal sustainability".

I will never forget how we all agreed that the stabilization of this ratio during prosperity was not enough. Spending and tax measures to achieve this objective during prosperity will result in deficits once a recession hits again. We were right at that time, not as a matter of ideology, but of simple economic principle.

This budget is déjà vu all over again, except this time there are absolute spending cuts rather than Wilson's magic reductions in previously inflated plans for spending increases. These cuts represent a truly major achievement for which most of the credit must go to the Minister of Finance and some of his colleagues.

The tragedy is that these cuts are too little and too late. With a debt of \$550 billion these absolute cuts achieve the same objective as did Wilson's phantom cuts when the debt was half that size.

The cuts of \$10 billion in program spending just about match the \$9 billion in higher debt service charges on the planned debt level over the life of this budget. The expected increases in revenue due to prosperity and tax measures amount to a staggering \$12.7 billion. Yet, these revenue increases only keep constant the debt to GDP ratio.

These facts represent the key to understanding my negative views of this budget. Let me repeat them.