

was describing specific cases, we find that he did not draw the right conclusions from the specific cases he was using as an example. After enumerating various tax measures, he concluded that a white paper on the government's economic policy was necessary and that hearings should be held on the basis of this white paper. I would suggest that he first refer to the document he and his leaders are so eager to have withdrawn—the budget—which is in fact concerned with the government's economic policy. He should take another long, hard look at this document and if he wants to continue his so-called hearings, let him ask the people who come to the hearings what they think about this basic document. I would also draw his attention to the document on the government's economic policy for the eighties which accompanied the budget speech by the Minister of Finance (Mr. MacEachen). It describes how the government intends to support activity in the private sector to provide for the economic and industrial development of our country during the next ten years. It is an extremely interesting document which provides a perspective on the future and will help us to provide for our country's economic development as soon as the economy has been put back on the right track.

In my speech I would like to address myself to our budget policy and its orientation, in order to clarify its relevance as a solution to the problems facing the Canadian economy. My colleague, the Minister of Finance, has referred to the budget's general objective and the philosophy underlying the various tax measures introduced in this budget. The House will recall that the November budget contains three major themes: restraint, equity and economic renewal. These three themes form the basis for the budget's primary objective which is to fight inflation. Many Canadians and many members of this House have been wondering why this objective was chosen at a time when interest rates are extremely high and unemployment is particularly severe.

The decision to fight inflation was made after carefully weighing the pros and cons of the budget policy's orientation. In fact, this decision was dictated both by common sense and by the conclusions reached after an analysis of various economic indicators. Economic observers have recognized that inflation has become a way of life for Canadians, and that this inflationary context creates an attitude of uncertainty regarding the future. The result of this lack of confidence is that people are inclined to think twice about any investments they might want to make. As a result, investment projects that are necessary if our economic potential is to be utilized at full capacity are not carried through, which means there is a negative impact on the real growth of the economy and thus of employment.

There is therefore a direct relationship between the inflationary forces present in the economy and the underutilization of the factors of production in that same economy. The higher the inflation rate and the more unstable the inflationary

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pressures, the stronger this relationship. We must also remember that inflation did not appear all of a sudden in our economy. Just as it took some time for inflation to permeate into our economy, we shall need time and constant efforts to get rid of it.

What does this direct relationship between inflation and production imply for the government when it prepares and develops its budgetary policy and strategy? Recognition of this relationship causes a time-related dilemma for the government. It must choose between a necessarily restrictive anti-inflationary policy which could increase unemployment in the short run while failure to fight inflation would jeopardize economic growth in the medium term, thus intensifying unemployment in the medium and the long term, bringing about permanent unemployment. The government must therefore choose between a short-term strategy and putting aside the fight against inflation, which would temporarily relieve pressures on the labour market, and a medium-term strategy including a short-term restrictive policy which will go to the root of the problem, bringing about a firmly based economic recovery.

When I listen to the comments of opposition members, I am forced to put them among those who favour the first option, namely, the short-term, short-lived, ephemeral solution. Perhaps for the sake of expediency they would rather promote the creation of temporary jobs instead of facing facts and supporting policies which go to the root of the problem and through which we shall be able to acquire all the assets necessary to achieve the full potential of our economy. I would be tempted to describe this short-term strategy as myopic, just as I said that certain comments were myopic in my earlier conclusion. It is economic myopia. Opting for this strategy reflects either a sense of political expediency or an unawareness of the effects of long-lasting inflation on medium-term employment. I use the word myopia because sooner or later, anti-inflation measures will have to be put into place and the effects that we would refuse to see today would then be only too obvious.

The second strategy, which was proposed by the hon. Minister of Finance and the government, aims on the one hand at putting an end to the vicious circle of inflation, and on the other hand, at putting in place the mechanism which will enable us in the medium term to better face the challenge of international competition and to put our productive potential to full use. By choosing this anti-inflation strategy and accepting responsibly its consequences, the government is not deceiving Canadians with irresponsible promises. It is not deluding them or giving rise to false hopes. Those who suggest that we can go on living unconcernedly in these inflationary conditions are nothing but dream peddlers and in fact they are merely advocating conventional remedies. It is quite hopeless to dream that it will be easy to come back to a situation of high growth. On the contrary, restoring a climate of comparative prosperity