

*Government Orders*

It is appropriate that the member pointed out in part of his speech the role that interest rates play in increasing the deficit. He was counselling against the strategy of higher interest rates because it would have the effect on the deficit that he pointed out. However, I think it would be useful not just to apply that insight in terms of how not to deal with the deficit now, but also how the deficit was created in the first place.

Much of the deficit that we have before us today was created not by the social spending that the Reform Party wants to criticize, but by the high interest rate years in the early eighties. I think that is one of the holes, if you like, in the Reform analysis.

We cannot go back and change those interest rates. We cannot go back and eliminate the debt that was created by those interest rates. I realize that, but there is a kind of implicit blaming of social spending for the deficit when studies have shown, particularly a Statistics Canada study, that it was the high interest rates in combination with tax expenditures that were largely responsible for the deficit and not social spending.

The member's argument would be much more credible if that were at least acknowledged. It may be that there might be some restructuring of social programs in order, but I do not agree with the member that the way to do it is to eliminate universality. If high income Canadians who are receiving these benefits are so willing to contribute to the deficit then why can we not do that, if they are that willing, through a more progressive income tax system whereby they would pay for these universal programs they receive through the income tax system?

What would be the member's objection to that? Why do we have to accept that the only way that high income Canadians can do this is by foregoing these certain benefits and paying for them item for item instead of accepting that for once we could have a fair tax system in this country and high income earners could pay the share that they have paid less and less of in the last nine years thanks to the tax reforms of the Conservative government?

**Mr. Grubel:** Mr. Speaker, I appreciate the rhetoric that I received from the distinguished member who just spoke.

The Governor of the Bank of Canada did not very happily raise the interest rate. He was forced into raising the interest rate because of developments in the world and because of pending inflation.

There is simply no way in which a government or a private corporation can sell its obligations in an environment of inflation and charge a low interest rate. It is now a well established fact among those who are economically literate that if we have inflation we will have high interest rates, otherwise nobody will lend money.

I think we should see the episode of high interest rates in the early 1980s as part of that process.

I would like to respond to the member's notion that high marginal tax rates would be an equitable thing to do and that there is no distinction between taking back or not paying out in the first place social program spending transfers. High marginal tax rates throughout the world have been shown to generate disincentives which feed back on the welfare of the entire society. That is why universally throughout the world high marginal tax rates were removed. In fact, in many countries when the marginal tax rates were lowered total revenue was increased because effort and attempts to hide income disappeared.

● (1315)

When I asked a student who came to me the other day what he would do after he graduated, he said: "I will move to the tax haven, Seattle". This is what our distinguished member will have to remember, unless he is prepared to close the borders from Canada, if he imposes very high marginal tax rates on Canadian citizens. They, especially those who are productive, original and entrepreneurial, will go to where they do not have to pay these high taxes. One might say good riddance, but I can tell the hon. member it will not be in the interests of Canadians that these young entrepreneurs, the originators of small business stimulation, the innovators will go to where the tax rates are lower.

**Mr. Ian McClelland (Edmonton Southwest):** Mr. Speaker, the other day the Prime Minister suggested in Question Period that each member present had a bill of about \$3 million for his or her part of the overhead. I hope the Prime Minister pays close attention because I am just about to pay mine off as my contribution to this debate.

This really is the speech I was elected to give. This is why I got into politics in the first place. I hope that over the next couple of years I will be able to make a continuing contribution through the caucus and through the House to our national debate on the economy. I want to thank the government very much for making this possible so early in this 35th Parliament. It is going to be an evolutionary process as we go from this budget to the next budget.

I am one of those real live entrepreneurs that one hears so many people talking about. I went to Edmonton in 1975 with absolutely nothing. I was living in a basement apartment at my sister's. I was paying maintenance to my ex-wife who lived in Vancouver.

I started with absolutely nothing and built a business that 20 years later at its peak does about \$7.5 million a year with 130 employees. Today, this very day, I am proud to tell everyone that our employees are one-third share owners in the company. As of