

some 2 per cent next year. This increase in inflation will certainly wipe out increases in real disposable incomes, and the reduction in gross national product will mean that there will be no gross national product growth in Canada next year, for the first time in 26 years.

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Business confidence basically comes from its belief that business can sell its goods at a reasonable profit, but obviously to do this there must be enough Canadians working with satisfactory incomes to be able to buy those goods. This Conservative budget will have the effect of weakening this basic essential belief necessary for business confidence and the investment decisions which accompany it.

Business will see as well as anyone else that this Conservative budget is lessening the potential for consumer spending. Business will see as well as anyone else that the gross national product will be reduced severely because of Conservative budget policies. In proposing a budget which will increase inflation to double digit levels we see another bizarre flip-flop from a government whose Prime Minister said in this House just a few weeks ago that inflation was his public enemy number one. Well, I think this budget shows the public that its enemy number one has to be this Conservative government.

Some hon. Members: Hear, hear!

Mr. Gray: In his budget and the forecasts accompanying it the Minister of Finance has presented a pretty bleak picture of what to expect, even if there are five years of Conservative government, something the Canadian people, I am sure, have already reached the conclusion they want to avoid having as much as possible.

The Conservatives have made all sorts of promises, including some promises about the goals and objectives they want to reach in terms of the performance of the economy. They said that they were going to increase growth to over 5 per cent by 1985, that they were going to create 1.5 million jobs by 1985, that they were going to reduce unemployment to 5.5 per cent by 1985, and that they were going to reduce inflation to 5 per cent by 1985. In the light of this budget these promises are very hollow and very empty. Instead of now assuring us that the goal of 5 per cent growth will be achieved, the Conservatives in their budget documents are projecting an average growth of only 3 per cent to 1985. So much for another Conservative promise. And for 1980 the government, in its budget documents, forecast real economic growth of only 1 per cent. I say that the impact of the Conservative budget is not to permit any economic growth at all.

While the Conservative estimate, in my view, is obviously very optimistic, it still represents lower growth than any achieved in Canada in any of the past 26 years. That is a shameful proposal and a shameful willingness to accept unemployment and economic weakness in this country on the part of the Conservative government. Instead of reducing unemployment to 5.5 per cent by 1985, the Conservatives in their own budget forecast have opted to push it up from the current rate

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of 7.3 per cent to 8.3 per cent next year, and not to be willing to try to restore it to the current rate even by 1985. Instead of reducing inflation to 5.5 per cent, Conservative policies are now guaranteed to raise it from the current rate of 9.3 per cent to over 11 per cent in the next two years and then to achieve only a very modest reduction thereafter.

These projections themselves are probably understating the negative impact of Conservative policies on the economy because they do not take into account the possibility of efforts of catch-up in wages and efforts of catch-up in profits which will result from the burst of oil-induced inflation created by these Conservative proposals in the budget of last night.

We see that the Conservatives have abandoned their promises of what they want to achieve for the Canadian economy by 1985. They have been willing to admit in their budgetary documents they have done this. This is certainly not consistent with the request of the Prime Minister to Canadians not long ago to raise their expectations, unless, of course, the Prime Minister meant by that that they should raise their expectations as to what they would get from the Conservatives in the way of higher unemployment, higher inflation, and less growth as a result of Conservative economic policy.

What this budget proposes is a multi-billion dollar tax grab from lower and middle-income Canadians—a raid, in effect, on the pocketbooks and wallets of lower and middle-income Canadians—and not to pay for an energy self-sufficiency program, as suggested by the Minister of Finance, except perhaps in a very limited way, but simply to build up government revenues. This tax grab from all Canadians will be used to pay for the government's mortgage tax credit plan, Bill C-20. This tax raid is on the wallets and pocketbooks of all Canadians including Canadians who will not benefit from the plan at all—renters, people with no mortgages, people with incomes too low to claim tax credits—and also cancels out any benefits from those eligible for the plan, if any benefits remain after being offset by the Conservative high interest rate policy.

The Conservatives have also proposed a surcharge on corporate income tax, but this increase is only for two years, unlike the increases in excise taxes and unemployment insurance contributions for individuals—tax increases which are permanent, or at least for as long as the Conservatives are in power. I am sure the Canadian people by now hope that time will be as short as possible.

Some hon. Members: Hear, hear!

Mr. Gray: I think individual Canadian taxpayers will likely not agree that what is found in the budget with respect to corporate income tax increases and personal income tax increases is an equitable sharing of the higher tax burden as between individual Canadians and the friends of the Conservatives, the big business sector of this country.

In his budget the minister mentioned only in passing a deficit which deserves as much and, in fact, more attention than the government's budgetary deficit, and that is the deficit in the balance of payments of our current account of international trade. This budget will do little to help solve that