

*The Budget—Mr. MacLaren*

In the important domain of higher education, what else other than once more cutting the transfer payments to the provinces has the Government done? By its earlier partial deindexation of transfer payments to the provinces, the Government has already chopped its support for higher education. Now more cuts are to be added to the \$8 billion in reductions that will have been made by the Government by 1992.

Has the Government, in cutting funding for education, concluded that our colleges and universities are overfunded? It is a widely recognized fact that our higher education system is underfunded. A recent series of articles in a Canadian newspaper about our universities used the words "a disheartening look at the erosion of the system". The problem here is the erosion in the Established Programs Financing formula that dictates how post-secondary education is funded. It has proven to be inadequate. It is a block funding formula that does not provide incentives for the provinces to increase their grants to colleges and universities. Instead of trying to solve that problem with the provinces, to negotiate with the provinces a better financing formula, the Government takes the easy route and simply cuts its support.

Our national health care system is one of the things of which we Canadians are most proud. However, the system has been under a great deal of strain. Underfunding of health care has led to crowded emergency wards, shortages of hospital beds and long waits for non-emergency surgery. As our population ages, the demands on our health care system increase. Concern for the future is growing as it becomes evident that the system is having difficulty meeting even today's medical needs.

In the face of this reality, it is irresponsible for the Minister of Finance to cut payments for health care. The provinces, as a result of his Budget, will be forced either to find more money through increased taxes or to reduce their health services to offset the federal cuts.

Is the Minister unaware of the pressures on our health care system? Does the Minister believe that the pressures are not real, that they are only imagined? Has the Minister of National Health and Welfare not had anything to say in defence of the health care system in Canada? Has the Government in fact decided to shift responsibility for the problems in the system to the provinces while at the same time making those same problems worse?

In its last annual review, the Economic Council proposed new targets for the Canadian economy for the next five years. The council pointed out the need to achieve a strong performance in productivity as a fundamental condition to Canada's success in global trade. The objective should be to increase productivity at an annual rate of 1.5 per cent to 2 per cent. Current indications, however, suggest that as a result of the Government's neglect productivity growth will be less than 1 per cent, .7 per cent, over the next four years. If Canadians want to compete successfully in international markets, such a sluggish rate of productivity growth is clearly not enough.

Once again, the Government has been pursuing contradictory objectives. On the one hand, it champions free trade with the United States in the name of greater competitiveness, yet on the other hand, it pursues policies that diminish our international competitiveness.

How can productivity be increased? Although it is true that the role of government in the economy is on a short-term basis to ensure stable growth without inflation, its longer term obligation is to invest in the human resources and the physical infrastructure of our country. Training, retraining and education must be improved. Adequate research and development incentives must be introduced. Infrastructures must be kept in good working order. By all these tests, this Budget is once again a failure.

Small and medium sized companies in Canada, typically Canadian owned companies, have had difficulty in obtaining venture capital. This has become more of a problem following the stock market crash of 1987. Figures now indicate that equity financing dropped dramatically in 1988. Small and medium sized firms are the prime victims and now, as a result of this Budget, small business will find financing even more difficult.

The lack of venture capital is all the more disturbing because our economy is in a period of transformation. Canada is moving away from its traditional economic base, natural resources and megaprojects, toward a much more complex structure based on the development of systems and software, the applications of technology and human resources. Not only does this new stage of economic development absorb more money, but it also requires the use of intangible resources such as intellectual property, production techniques and management skills that are more difficult to translate into simple numbers. As a result, financial institutions and investors are more hesitant to invest in new enterprises.