[*Translation*]

Mr. Benoît Tremblay (Rosemont): Mr. Speaker, the purpose of this bill is to adopt certain measures to implement the budget tabled on February 26 this year, measures that clearly reflect part of the government's strategy for reducing the deficit. However, if we are to understand the strategy as a whole, we should also consider the approaches to controlling inflation that were agreed on with the Governor of the Bank of Canada. Briefly, the measures contained in this bill are being taken at a time when we are experiencing the first made-in-Canada recession, a recession deliberately brought about to control inflation.

During the pre-recession period, we had very high interest rates which had a very negative impact on the federal government's deficit. The cost of servicing the debt, already very high, increased by 28 per cent over two years, before the present budget.

But consider what happens during the recession. During the recession, unemployment and unemployment insurance payments go up. There is also an increase in welfare payments, which during the last recession in 1981-82 went up by 32 per cent. We all know that health care costs, which normally increase by 2 or 3 per cent plus inflation, because of our aging population increase even faster during a recession. And we know that post-secondary education costs also increase faster during a recession, because students tend to stay in college and university.

During the recession, we also see a drop in inflation and interest rates. So what is the impact of all these measures on budgets? Apparently, the federal government is transferring all the costs of the recession to employees and employers by incredibly increasing unemployment insurance contributions by 24.5 per cent in the last budget and another 7 per cent not long ago. The remaining costs of the recession are being transferred to the provinces.

• (1110)

The measures before the House today contain all the tools the federal government needs to avoid recession-induced costs in the areas of health care, social assistance and post-secondary education. The provinces will have to shoulder all these costs, which are, and will be, very substantial.

At the same time, interest rates are going down—for instance, the government predicted that interest rates would be around 9 per cent, while they are now down to 7 per cent—and as a result, the federal deficit will become more manageable. Of course, the government kept the benefits of declining rates and transferred to businesses, individuals and the provinces the costs of rising rates in a recession.

If that keeps up, in a few more weeks, the federal government will brag that it can control its deficit, when in fact it passed it on to the provinces and businesses.

Yesterday I heard the Prime Minister say that he was reluctant to call an economic conference, as requested by the provinces, and I understand that very well. He even dared to say that would force the provinces to control their budgets. What will the provinces do to control their budgets? They will raise taxes or do what Quebec did: pass the costs on to the municipalities. Transferring costs to the municipalities will also result in tax increases. Higher university tuition fees have become the main cause of inflation.

We are at a point where we are in danger of not reaching our inflation objectives, precisely because the federal government is passing costs on to the provinces, municipalities and universities.

For the first time, in this morning's *Globe & Mail*, a group of 17 economists consulted in forecasting institutions told us that Canada's economic growth is likely to be less than predicted, that Canada's current account deficit will increase considerably and that inflation will be higher.

I thought that was impossible after such drastic measures had been taken. Inflation is likely to be higher because the only way that local and provincial governments can get out of the situation in which the federal government has put them is to raise taxes considerably and thus add to inflation.

Therefore, I think that some balance must quickly be restored. You know that in the 1980s, the federal government spent like mad and ran up huge deficits. For a while, I think we were right to believe that the deficit had gone out of control. Of course, our debt is unacceptably high. We must reduce the deficit; we must also try to keep lower inflation rates. But with such drastic measures as we have taken, we risk not only keeping the economy in a deep recession but also fuelling inflation.