

Some hon. Members: Hear, hear!

● (2320)

[*Translation*]

Hon. Pierre Bussières (Minister of State, Finance): Mr. Speaker, first of all I would like to say how surprised I was at the petty comments made by the Leader of the Opposition (Mr. Clark). Perhaps I should not have been surprised because these comments, even though they were petty, were worthy of the one who is now Leader of the Official Opposition. I am also surprised, Mr. Speaker, to see how certain elements of the economic situation can lead some people, for purely political reasons, to try to create a climate of panic and to suggest that we could pull on strings to bring immediate and magical solutions to the problems of inflation, unemployment and interest rates now facing our society. The hon. member for Broadview-Greenwood (Mr. Rae) will immediately point out that, as he stated himself, he does not believe in magical or immediate solutions, but rather in medium and long-term answers.

I believe that, in the situation now confronting the government, we ought to exclude purely circumstantial elements which are only in the short term or temporary, which are mostly related to events or economic phenomena to the south of us, and which affect us because our economy is interrelated or integrated with the larger North American economy. If we do exclude these purely circumstantial elements, we have to think in terms of answers to our problems and a reasonable policy. To my mind, that is the policy outlined this evening by the Minister of Finance (Mr. MacEachen) when he reasserted the major points of his budget speech.

It is essential to avoid falling into the trap of trying to solve the immediate problems by implementing extremist solutions, either to the right or to the left. We would be doing this if we believed that our interest rate problems could be solved, as suggested by the Leader of the New Democratic Party (Mr. Broadbent), by setting a "reasonable" rate, which remains to be defined, without thinking about the consequences that such a rate set artificially could have on our dollar and with the full knowledge that the possible effects on the Canadian dollar could bring about as unfavourable consequences for small businesses, for farmers, for the man who wants to build a house, which effects would be as bad as those of the interest rates that we now have and which correspond to the pressures put on the Canadian economy since they are set every Thursday at the auction of treasury bonds by the Bank of Canada. Other extremist solutions would be, for instance, to say: why not implement a cold shower policy? Putting aside the economic progressiveness practised by the Bank of Canada and restricting drastically the M-1 range, supporting this money supply restriction policy by a major tax increase to reduce significantly pressures on demand, whether for goods or for money, and creating a vacuum, which would quite probably

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bring about counterpressures or a depression and lower inflation rates, would not be a solution.

The former speaker mentioned a deep recession. I suppose that in speaking of a deep recession he rejects the cold shower policy that would entail taking Draconian steps with regard to the M-1 range, by limiting the monetary mass, or by increasing taxes significantly. That solution must then be set aside. Going to the other extreme, someone spoke a while ago of the possibility of fixing the rate of interest. We saw what consequences that would have on the dollar, consequences that would also be as disastrous for the small businessman and the farmer, as for the person who wants to build a house at the interest rates we now have.

One could say that the government should implement a program to assist certain groups of society who face the problems resulting from high rates of interest, high rates of unemployment, the lack of income or available money. That would probably imply interest rate subsidies for those who have to carry an inventory, as well as major community employment programs or special projects to absorb the shameful unemployment in certain regions. They would however add to a deficit we already find extremely burdensome.

There is another extremist solution, and that is to bring in a package of strictly temporary measures that would increase the deficit and solve absolutely nothing over the medium or short term, since they would only create additional pressures on inflation and would not solve the problem of structural unemployment. A number of persons would be hired temporarily, from time to time, regionally, locally, but the day the program ended nothing would have changed in the structural weaknesses of our industry, nor in the need to increase the rate of productivity in our industries throughout Canada. We would be back to square one.

What we need is common sense policies with lasting power, that is for the medium or long term. The enemy we are up against at this point is increasing interest rates; the enemy we face is persistent inflation that goes with the over-all health of the Canadian economy. In his budget speech, the Minister of Finance indicated clearly that the policy expressed by the Bank of Canada on economic gradualism is a policy of good common sense, one that is contrary to the cold shower policy, of which I spoke a moment ago, and one that the government supports energetically.

The Minister of Finance has avoided the trap which consists in drastically increasing taxes to reduce inflationary pressures while inducing more complicated and vicious recession patterns to which the member referred a while ago. He has avoided that problem. Quite obviously he could have increased the deficit, as requested by members opposite, in spite of their hypocritical argument which led them to suggest that the present deficit is unbearable. The government has chosen instead to show common sense and accept a difficult deficit level while setting up a program to keep government expendi-