

Oral Questions

[English]

THE BUDGET**GROWTH OF ECONOMY**

Hon. Roy MacLaren (Etobicoke North): Mr. Speaker, my question is for the Minister of Finance. The Minister has stated that as a result of his Budget, growth in Canada's economy will slow and unemployment will increase next year. Analysts are now forecasting a drop in our economic growth of at least one full percentage point from over what it would have been without this Budget.

How can the Minister cut expenditures, raise taxes, keep interest rates high, and hope that the economy will somehow continue to grow at a healthy rate?

Will the Minister admit that his Budget is deliberately slowing growth in our economy, causing more inflation and causing yet more unemployment?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, let me quote a very learned observer who said:

The solution is quite simply for the Government to demonstrate a real ability to cut spending and to increase taxes—not very palatable ideas but necessary nevertheless—there are no magic solutions, MacLaren said.

That is a quote from the Hon. Member who has just asked the question. It is all very well to stand up on his hind legs and criticize, criticize, criticize, but Canadians are not going to be fooled. They can read what the Hon. Member said just three weeks ago and they know that the criticism is going to get nowhere.

What we are looking for in Canada today is an honest debate on the issues so we can understand where we are going as a country, where we are going as a people. I will answer the question if you will give me a little more time.

An Hon. Member: Where were you during the campaign?

Mr. Wilson (Etobicoke Centre): Hon. Members opposite have been critical of the high interest rates in this country. They are saying we should get interest rates down. This is a Budget designed to get interest rates down.

Some Hon. Members: Oh, oh!

Mr. Wilson (Etobicoke Centre): Now the Hon. Members say that that will not happen. This is designed to get interest rates down. I listen carefully to what Hon. Members say, and they say you cannot have it both ways. If we want to get interest rates down, we have to attack the fundamental causes of why interest rates are high. That is what this Budget does.

• (1520)

INTEREST RATES—INFLATIONARY EFFECTS

Hon. Roy MacLaren (Etobicoke North): Mr. Speaker, the Minister says that we must get interest rates down. I agree with him, but he himself in his Budget is forecasting that interest rates will average 12 per cent this year. We are already into the fifth month of the year. Interest rates remain in excess of 12 per cent.

Given that the Minister predicts higher inflation while at the same time the Governor of the Bank of Canada has stated that inflation requires the imposition of yet higher interest rates, can the Minister explain somehow how anyone can believe that interest rates will drop before the end of this year?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, the Hon. Member well knows, because I have another quote from him here, saying that lower inflation is essential to getting better productivity and lower interest rates. He is asking why we have not got interest rates down. The Budget was only presented last week. We cannot expect that just overnight, bang, things will happen, but the Hon. Member knows that the essential components of this Budget are designed to get interest rates down. We know the importance of getting interest rates down as demonstrated by the tremendous record of success we had in the last four years in which a million and a half jobs were created. This is our objective and this Budget is designed to repeat that great record.