Economic Conditions

Mr. Speaker, you cannot have it both ways.

You cannot at the same time decrease the deficit and lower taxes. That is impossible. There are some economists who claim that the surplus that would result from a decrease in taxes would stimulate economic growth. In the U.S. that theory is known under the names of two congressmen, congressmen Kent and Roth. Although not an economic expert, I would not support that fiscal theory.

The government is accused of being unfair, of having no respect for the taxpayer. Nothing could be further from the truth when one considers the following of the Liberal party. It is a following which historically has not been privileged by the economic policies of our country. It is a following that has a budget to manage and to meet every day.

Mr. Speaker, they know exactly what they have to do. When we are being blamed for very high interest rates, I cannot help but recall what happened about a month ago when government bonds expired. What did the small investor who has bonds yielding 9 per cent interest do? He analysed his 9 per cent, and he said to himself: do I keep them for another year or do I sell them to buy new bonds yielding 1 per cent or 2 per cent more? Are we blaming him for selling his bonds and buying new ones at 2 per cent more? We consider that a wise business decision. Yet that is precisely what we are trying to say here, that since the U.S. has an interest rate that is much higher than ours, there is nothing to prevent the big investor, who has $100,000 or more to invest, from simply cashing in his Canadian bonds and investing his money in the United States where it will yield 4 per cent to 5 per cent more.

That is the dilemma with interest rates. Our Minister of Finance (Mr. MacEachen) has been accused of the worst evils since the beginning of the evening, but I for one, Mr. Speaker, think we have an excellent Minister of Finance, one who has taken a decision which I consider very wise, and I cannot understand why hon. members opposite cannot accept it, namely, the decision to let the market set the rates of interest.

As you know, Mr. Speaker, every Thursday, the banks decide, according to a bidding system, the yield on treasury bills. And it is based on treasury bills that the prime rate is set.

That seems so logical, Mr. Speaker, so favourable to what we call the private sector, and yet we are blamed for high interest rates while a year ago our interest rates were higher than in the U.S. Today our rates are lower than in the States, and that means that an investor could be tempted, because he wants to make money, because he has obligations to meet, and debts to pay, to go and invest elsewhere where the yield is higher.

Mr. Speaker, we are faced with all that, and so what are we supposed to do? Some claim that the deficit is unimportant. Others maintain that inflation is public enemy number one in Canada. And they are right. Inflation is our public enemy number one.

This morning before coming to the House, I heard that following the vote, a strike by Air Canada flight attendants was almost certain, because 78 per cent of them had voted in favour of strike action and 22 per cent against. The main reason why the attendants voted for the strike is precisely because inflation is "x" per cent while the salary increase offered was of "x" minus something per cent, so naturally the attendants want more money. Can we blame them?

Mr. Speaker, we ourselves as members of Parliament want more money. We ourselves find that we are not well paid. But there comes a time when it has to stop, and therein lies the art of government.

I think, and I have said this in all my speeches, before any audience, that never before 1980 has the art of government been so difficult, because I am not sure that people here in Canada and in Quebec are prepared to make the necessary sacrifices.

Obviously, Mr. Speaker, we cannot continue to borrow to pay off our debts. There is no doubt about that. And there is no doubt also that we cannot lower taxes because that would not have the benefits that some think, because such a move would only be useful if government spending decreased at the same rate.

As you know, Mr. Speaker, most of the government's expenses are tied to transfer programs or statutory programs that afford the government little or no latitude. The government is bound to make expenditures. It has only about 10 per cent with which to play. And that, Mr. Speaker, is not the way we are going to rescue our economy.

I do not understand—some hon. members opposite admire the British Prime Minister, saying that this woman is fantastic, that she has an iron hand, that she really deals with economic problems. Yet that is exactly what we are doing here in Canada. That is exactly what we have done here, Mr. Speaker. We have analysed the situation in Canada and we have come up with the type of budget that was presented.

What did we do in that budget, Mr. Speaker? We decided not to do away with indexing. We decided to do that because that is the only way the majority of the electorate, the majority of people who are listening to us this morning, can face inflation, and the only way to ensure that we, as a government, do not profit from inflation at their expense.

That concerned hon. members opposite to such an extent, Mr. Speaker, that, as you will recall, they even bought full-page ads in the newspapers, in Canadian dailies, to ensure that the government would not take such disastrous action. They were right to do so, Mr. Speaker. I do not think that influenced us a great deal, but they were right, and I certainly agreed with the Progressive Conservative government's policy to keep on indexing personal income tax exemptions. Of course