

Borrowing Authority

Mr. de Jong: To prove this fact, in 1983 a woman who was a teller with the Royal Bank of Canada actually paid more dollars and cents in taxes than the Royal Bank of Canada did. The Royal Bank of Canada in 1983 had well over \$360 million in profit and did not pay one cent of tax.

Some Hon. Members: Shame!

Mr. de Jong: It is no wonder that we have the current deficit. It is not because we are spending too much on unemployment insurance, education, child care or medicare. It is because of those who have not been paying their fair share. What has been the Tory record? While we certainly have to lay much of the blame on the Liberals because they created the tax loopholes and tax laws that allowed the Royal Bank of Canada, for example, not to pay a cent of tax on income over \$360 million, the Tories made a bad situation even worse. They followed Reagan economics and Thatcher economics. They gave further tax breaks to corporations and to the rich. They have been socking it to middle and lower-income Canadians since they came to power in 1984.

• (1210)

Of course, it is a record of failure. The Budget forecasts show that as a result of Tory economic policies, unemployment is expected to rise to 8.2 per cent by year end and to some 8.5 per cent next year. Economic growth will slow from 4.5 per cent in 1988 to 3 per cent in 1989, and 1.7 per cent in 1990. Yet interest rates will remain high and there will be an increase in inflation. Under Tory economic management there will be increased unemployment, less economic activity, higher inflation and higher interest rates.

Mr. Riis: Some package!

Mr. de Jong: As my hon. colleague says, some package. It is a recipe for inflation. There will be no economic expansion while inflation will continue to increase resulting in a massive shift of wealth from the lower and middle-income groups to the higher and upper-income groups.

The Conservative prescription for curing our economic ills will be the continued concentration of economic power and wealth in our Canadian society. It will only exacerbate our economic ills.

The Budget projections just do not make sense. There will be increased unemployment, a downturn in our production and ongoing high interest rates, which means the deficit figures will continue to rise. Future Conservative budgets will expect us to make more sacrifices, to

have more cut-backs, and to pay higher taxes. Of course, the Minister of Finance will never attack capital gains. He will never attack lower tax rates on investment because that is supposed to be the inducement to investment and the creation of wealth.

That brings me to the second part of my speech. It concerns the Tory notion of how wealth is created. We have seen paper wealth being created in Margaret Thatcher's England and Ronald Reagan's United States. Tremendous debts have been rung up by the private sector, thereby increasing the cost of production in our western economies at the same time, often resulting in lay-offs, further unemployment and other forms of inflation.

There is no doubt that the current high interest rates are keeping our deficit high as well as inflicting a lot of suffering and pain on average Canadians. Historically, the relationship between interest rates and inflation is that the interest rates are normally some two points higher than inflation.

An inflation rate of approximately 4.5 per cent means that our interest rate should be about 6 per cent to 7 per cent. At 7 per cent, our deficit becomes manageable. In fact our deficit does not quite compare to the deficit at the end of the Second World War, but that deficit was manageable because there was a lower interest rate. The present deficit would become manageable with an interest rate of 7 per cent.

The farm debt that plagued so many of the farmers in my constituency would become manageable at a 7 per cent interest rate. The young family who is trying to pay a mortgage needs two incomes to barely be able to make those payments. But at 7 per cent, life becomes a little easier for those young families who are trying to put a roof over their heads.

The Government says that it needs the high interest rate in order to keep inflation down. We have had high interest rates and inflation continues to rise. The Government says we need to cap inflation. Why must we continue pressing the interest rates so high? Of course, Canadians to whom I have talked see the folly of it all. They are telling me that increased interest rates induce inflation. It increases the deficit and the cost of production. Indeed it does.

Those average Canadians see through this folly even though the Minister of Finance might not. I suspect the Minister of Finance knows better. I suspect the reason why we have higher interest rates is because we must keep the Canadian dollar high. I suspect the reason why