

the results we want, we will have to take another look." That is what Mrs. Thatcher is faced with.

What has the Minister of Finance missed? What he has missed is very simple; he has missed the conclusion staring at him out of his own budget papers, that you may ameliorate the fiscal problem without any significant amelioration of the unemployment problem. You may solve the fiscal problem—and let me tell you, honourable senators, I think that that problem ought to be addressed—but there is no necessary conclusion that you will solve the unemployment or the economic problem.

Let me put a few thoughts before you and examine whether there is any logic in them. The minister has laid before us his plan for deficit reduction. For last year the deficit is to be just under \$36 billion, as Senator Doody has stated, or as one can derive from what he has stated. This year the deficit is to be \$33.8 billion; the following year it is to be \$32.7 billion.

Please observe, honourable senators, that in spite of what the Minister of Finance has described as an "unacceptable deficit," a "dreadful inheritance from the Liberal Party," a "bloated deficit," the economic growth in Canada in 1984 was an impressive 4.7 per cent. A big deficit with substantial and impressive economic growth for 1984.

For this year, despite the reduction in the deficit, growth will be less than it was in 1984; growth will be 3.1 per cent. For 1986, with a further reduction in the deficit, growth will be approximately 2.5 per cent.

These are the figures that are revealed in the budget papers of the Minister of Finance. For these three years, there is at least one fact; as the deficit is reduced, so is the rate of economic growth.

I am sure that many honourable senators are saying in their own mind that there must be something wrong because it was always thought that the solution to the economic problem lay in the reduction of the deficit which would in turn produce more growth. In 1984, with that dreadful Liberal deficit, there was 4.7 per cent growth. And the deficit comes down and so does economic growth. Of course, there is something wrong. What is wrong is that one can succeed in reducing the deficit; one can succeed in solving the fiscal problem without advancing to the goal of better economic growth and more jobs.

At the end of 1986, the Conservative government will have been in office for more than two full years. For that second full year the rate of growth will be almost one half less than it was in 1984. Why is it that if the constraint to job creation is the deficit, jobs and growth do not occur more rapidly as the deficit goes down?

I have mentioned the rate of growth in the economy; but what about unemployment? The reality is that, according to the minister's projections, after this government has been in office for more than two full years, after savage and senseless cuts, after—I was going to say after prime ministerial grandstanding at economic conferences and after endless photo opportunities—after all these two full years involving all these marvellous cuts and tax increases and a new tightening of the

fiscal belt, the Minister of Finance is telling us that at the end of 1986 unemployment will be above the 10 per cent level. Why?

In April of this year there were approximately 1.4 million unemployed Canadians. By the end of 1986, after two full years of a new Conservative government, according to the Minister of Finance, with the intervening growth in the labour force, and at a 10.3 unemployment rate projected by the Minister of Finance for the end of 1986, the total number of unemployed will be 1,330,000 Canadians. At the end of 1986 we will still have, according to these documents, 1,330,000 unemployed.

Well, that is just a bit better than where we are now.

What is the point of a financial and economic policy that will produce little change in the number of unemployed at the end of 1986 in comparison to the number of unemployed today?

That is not all, honourable senators. Under one plausible scenario presented by the minister, unemployment will still be at 10 per cent, not only at the end of 1986, but at the end of the decade in 1990.

Why is the minister perpetuating a hoax on all of us by saying that what he is doing to reduce the deficit is bound to provide new growth and jobs? His own budget papers give that statement the lie.

I think there are a number of nagging questions that have to be asked. How is it possible from his ideological standpoint for the economy to have a growth rate of 4.6 per cent in 1984 in a close symbiotic relationship with that high and unacceptable deficit? The minister tells us that the new government created 200,000 new jobs. How is that possible side by side with this terrible deficit? How is it possible, in the light of the terrible overhanging deficit, that dreadful Liberal inheritance, to have that kind of economic growth? Perhaps he would explain to us why that is possible and why, as he reduces the deficit, the rate of economic growth in Canada declines. Perhaps he, or someone on his behalf, might explain to us why, despite his Herculean efforts, we end up with a 10.3 per cent unemployment rate at the end of 1986. And it is all in the budget papers.

● (2230)

Honourable senators, the fact of the matter is that in 1984 we had strong economic growth in spite of the deficit, brought about by a build-up of inventories and robust export growth. The deficit did not stop the growth because inventories were building up and we had a strong export market. These factors obviously swamped any adverse impact from the size of the deficit.

Why is this slowdown projected for 1986 despite the reduction of the deficit? Because the reduced deficit will not compensate for the slowdown in the United States' economy that is projected in the budget papers, and will not compensate for the continuing high real interest rates in the United States, which are also projected in the budget papers. I think the minister is on a very slippery slope indeed in putting so much reliance on