

Mortgage Tax Credit

We cannot avoid the fact that if we carry out the policy the government wants to carry out, it will be inflationary and will increase the cost of housing. You are giving people money, but interest rates are already taking it away. We saw that yesterday. I saw in this morning's *The Globe and Mail* that the hon. member for Niagara Falls (Mr. Froese) was saying the same thing. I understand there are others on the Conservative side who feel the same way, and that does not surprise me. They get up in the morning and look in the mirror and know what side their right and their left hand is on. They know what the score is in terms of interest rates. They know the effect. It is only when they come into this House and have to follow a policy line that they find themselves in the position of forgetting which side is up.

The Minister of Finance knows which side is up. He knows what is happening to the housing market. He knows how difficult it is for young people to be able to afford to buy a house. The minister knows that the interest rates we are currently suffering from make it impossible to buy a home. He knows that the effect of a nearly 30 per cent rise in the cost of money since May, 1979, has made it practically impossible for people to buy new homes. He also knows this tax credit does not even go part way toward solving that problem.

I say to the Minister of Finance today that we are prepared to put forward serious and constructive proposals. We are prepared to discuss with him until the cows come home the virtue of bringing in a tax credit program that will stimulate the economy when it needs to be stimulated—and we think it does need to be stimulated. It should be a program that will provide the government with some flexibility, one that will give relief to tenants and home owners alike. However, we are not prepared to support a policy which gives to one group at the expense of another.

Earlier I talked of my trip to Washington and the reality that became evident at that time. The reality was that the Conservative party thought they had found manna from heaven. When this idea caught on they thought it was the best thing since sliced bread. However, they are now the government. The Minister of Finance knows that. He has to recognize that not every economist and not every person who has looked at this scheme and has opposed it—and they have opposed it and opposed it—is a bureaucrat, a socialist or an idiot, as he described us yesterday.

The minister knows he cannot dismiss the criticisms of this scheme as some sort of naive attempt at creating political castles in the sky. He knows he cannot get away with that any more. He also knows that some of the criticisms that have been coming forward have been responsible, that some come from people deeply concerned about the fairness of this scheme. They are deeply concerned about the efficiency of it simply from the point of view of effective government spending. The minister knows it comes from people who are concerned about the real effects.

Will it bring down the cost of housing? No, it will not. It will inflate the cost of housing. That is as simple an economic equation as one that tells you if demand goes up, when supply

[Mr. Rae.]

is constant, when there has been a consistent drag on supply, you know there will be an increase in price. I appeal to the economic common sense of any member of this House to tell me how that cannot be true and how this proposal cannot be inflationary.

It is important for us to realize that the government is somewhat confused. For example, one need only look to the speeches of the Minister of Regional Economic Expansion (Mr. MacKay), the minister of housing, as the hon. member for Winnipeg-Fort Garry called him. If he had been in the last Parliament, he would know that we do not have a minister of housing. Why not? Because the Liberals got rid of him, with Tory support.

Mr. Axworthy: That's not true.

Mr. Rae: It is true. The ministry of state for housing and urban affairs was abolished by the Liberal party. That is why we had a minister for public works under the old government who was responsible for housing, and why we now have a Minister of Regional Economic Expansion who is responsible for CMHC. It is that neglect of the housing sector from the federal point of view which has created this policy, which is a lousy housing policy, lousy social policy, lousy economic policy and lousy tax policy. However, it can be improved. We are ready to stay here and try to improve it.

I have with me a speech delivered by the Minister of Regional Economic Expansion, the minister responsible for Canada Mortgage and Housing Corporation. He talked of the need for rehabilitation. It was a very sensible speech about the need to preserve and enhance the standard of construction and standard of housing for many people in our inner cities and rural areas. He talked of the importance of rehabilitation. He said, and I quote:

Rehabilitation serves two important social and economic goals: it helps to conserve and recycle scarce resources, and, because it is more labour-intensive than new construction, helps to create more new jobs. To a large extent our efforts will be directed at encouraging the revitalization of inner-city neighbourhoods—building and rebuilding new communities within the existing urban framework.

Where new housing is concerned, I'm sure that the tax credit scheme announced recently by my colleague, the Minister of Finance, John Crosbie, will help substantially in supporting housing demand.

One cannot have it both ways. One cannot talk about spending \$2 billion on subsidizing a relatively well-off group of Canadians—not wealthy, but well-off—albeit three million strong. One cannot spend that much money on that group and have very much left over for all that the Minister of Regional Economic Expansion would like to see done.

He says the new housing scheme is going to be directed to new housing. That is rubbish. It directs itself to all housing. It is the most inefficient way of encouraging new housing. If you want to encourage new housing demand, the NDP scheme announced in 1974 and brought to this House since that time, not as a response to the present proposal but as a reiteration of long-standing party policy, simply makes the most sense.

If you want to subsidize interest rates, Mr. Speaker, subsidize interest rates. Do it. If you want to do it, say you are