

ber was again repeated by the Minister of Finance in an interview which he gave on *Question Period* in March, and once again he repeated the view that tax increases were out because they would serve to dampen demand.

That was not the only pledge broken by the Minister of Finance because the government also broke a major former commitment by its action to abolish the full indexation not only of the family allowances and old age security payments but also the abolition of the full indexation of the tax system. I know the position which was taken by the Conservative Party on indexation. One spokesman after another urged every Liberal Minister of Finance since Mr. Turner to keep intact the full indexation of the tax system. We know how fiercely the Conservative Party opposed even a suggestion that full indexation might be tampered with. In fact, a former leader of the Conservative Party, Mr. Stanfield, was always held up as the person who first suggested indexation, and we were told constantly by his Tory friends that it was a feather in Mr. Stanfield's cap that we had indexation of the tax system, that it had been borrowed from Mr. Stanfield by Mr. Turner. They said, "You Liberals don't dare tamper with that great Tory idea."

Senator Balfour: What nonsense!

Senator MacEachen: That is the truth and Senator Balfour knows it. I know it and anyone who reads the modern political history of Canada knows it. On that point the Conservative Party retreated and broke a pledge which it made so frequently and so fiercely in the House of Commons and elsewhere. And the Tories ran ads. They ran ads in the newspapers creating bogus fears that the Minister of Finance of the day was intent on tampering with the indexation of the tax system. Well, it has happened and not only the de-indexation of the tax system partially but also family allowances and old age security. The whole structure of inflation protection has been eroded.

We were told in the Senate earlier that it would be improper for honourable senators to think of tampering with Investment Canada because it was sacred. Why was it sacred? Because the government had received a direct mandate from the people of Canada to implement Investment Canada. Would anyone say that an enjoinder of that kind would have the slightest validity in the case of the elimination of full indexation? Because the public were not told of the intentions of the government, they were not consulted about it, and it came as a bolt from the blue shattering the trust that the people of Canada had placed in the new government.

That is the first point that I have to make about the budget. Why have you broken all of your pledges or so many basic pledges without having consulted with or given any intimation to the people of Canada that you intended to do that?

I want to make another point about this budget, and I hope that some honourable senators opposite will attempt to prove me wrong. I make the statement that the budget itself offers no solution to the leading problem of the Canadian economy, namely, unemployment.

[Senator MacEachen.]

The Minister of Finance states, and I quote him, and I agree with him: "Our priority goal is jobs for Canadians." The budget does not offer new jobs for Canadians. In fact, when its impact on the economy is fully felt, the budget impact will be fewer jobs in the Canadian economy. You cannot take \$4 billion plus out of the Canadian economy and expect to create additional jobs. The budget itself lacks internal logic and consistency. The link between the fiscal plan and the performance of the economy exists only in ministerial rhetoric and in what I consider to be the rather contrived draftsmanship of the budget papers.

The views of the Minister of Finance on the problems of the economy are clearly set out in this budget and earlier last November. In November in "A New Direction for Canada," he stated: "The growing public debt has become a severe handicap to economic progress and the most serious obstacle to economic growth." He reiterated that view in his budget speech of May 23 in these words "High deficits constrain our ability to promote growth and create jobs." The view of the minister is clear. One might say that the obsession of the minister is clear. Deficit reduction will lead to more jobs, more real output and more growth. The Minister of Finance says: "Clear away the obstacle of fiscal deficits and the economy will flourish."

Driven by a confident belief in this single theorem, dominated, as it were, by his own personal and one-dimensional obsession, the Minister of Finance like an untrained woodsman with a sharp axe is chopping blindly and cutting everything in sight—cutting, cutting, cutting and adding to the tax burden at the same time. Out of that, honourable senators, he claims, will come economic growth and more jobs.

One is tempted to say to the Minister of Finance "Think again." Consider the experience of the Government of the United Kingdom which also made it an obsession to cut, cut and cut. Today the Prime Minister of the United Kingdom is faced not with declining unemployment but with rising unemployment. She wanted declining unemployment, now she is faced with rising unemployment. Why is that? One must say that an economic policy putting forth deficit reduction as the single obsession and putting that in the window as the main objective has been implemented in the United Kingdom, but the results expected have not yet been achieved; the opposite results have been achieved. Mrs. Thatcher now confesses that she is mystified and disappointed. "I am mystified and disappointed," said the Prime Minister of the United Kingdom. The Prime Minister of the United Kingdom is now prepared to admit that possibly she and her government may have missed something. She said recently, referring to the budget given in the spring by her Minister of Finance, "We have to await the effects of this last budget."

● (2220)

That is about the fifth budget of the Conservative government. "We have to await the effects of this last budget, and as you know, any budget takes 12 or 18 months to work its way through the economy," says Mrs. Thatcher. "If we don't get