

Income Tax Act

An hon. Member: He is the captain of the gurus.

Mr. Andre: In fact the member says it is not his guru, but several times at least since we have come back he has talked about the classical Keynesian cure to what is wrong with the economy; increase the deficit, spend more which will generate demand, put people to work and we will all be in a bed of roses. That is exactly what I have heard them say.

The truth of the matter is there is something more fundamentally wrong with Keynesian policies or the Keynesian approach. It has a fundamentally inflationary bias built into it. To begin with, it calls on governments to run surpluses when the economy is overheated. That is almost an impossibility in a democracy. It is almost impossible for a government to run a surplus because the number of spending plans dreamed up by politicians, bureaucrats and others are absolutely overwhelming, and no matter how overheated the economy gets, the reality is there is some just cause out there for money to be spent on. It is almost impossible to run the kinds of surpluses needed to balance off the deficits that are incurred in terms of stimulus.

On the other side, it is fundamentally inflationary in instinct. The theory is that governments, by spending more, putting more money into the economy, stimulate demand and bring on jobs. However, there is a time lag. When you stimulate demand, the first thing that occurs is the price goes up. The first thing that occurs when there is increased demand is a price increase. After the price goes up, you get increased supply. The increased prices bring on the new production and you are up to new levels. You have this inherent inflationary bias in the process, and that is what is wrong with the New Democratic approach. They are talking about more government spending, stimulating demand and thereby helping inflation. Perhaps, but in the process this would raise inflation to a new high. That happens everywhere.

Therefore, when the Minister of Finance talked about supply-side economics, members of the NDP had a little hiccup of concern because to them that is a buzz word for neo-Conservatism or something, and it frightens them. When the Minister of Finance talked about supply-side economics, he was starting to get on the right track. Unfortunately, that kind of talk is equivalent to the kind of talk that he is going to hold down government spending while in fact spending keeps going on. It is talk but not action. He at least mentions supply-side economics, but in fact does not deliver. We are still chomping along on the old demand-side or Keynesian approach without any indication of any changes.

What sorts of indication would we expect to see if the minister was sincere in looking at supply-side considerations? What we would have seen in that budget was increased spending on science and technology, for example. We would have seen in there increased investment in the productive side of our economy, the supply side. We would have seen, for example, some tax changes directed toward increasing productivity. These are not unknown things in this economic world. The Minister of Finance, when asked by a *Globe and Mail* reporter why it is that Japan and Germany seem to be doing so

well even when they have to pay world prices for energy and Canada cannot, said it has to do with the philosophy of the people. The minister blames our lack of performance in comparison to the Japanese and Germans on us. We are lazier than the Japanese or Germans, I guess. In fact, if he would look at what the Christian Democratic government had done in terms of productivity incentives, the supply-side economics, if you will, in the 1950s and early sixties he would get some valuable instruction on what can be done about increasing productivity. I might add that he should do the same thing in respect of Japan where productivity increases have been absolutely spectacular to the point that in just a very few short years, they have been able to produce automobiles at considerably less than our friends to the south who invented all the technology in the first instance.

The economic problems of this country are bad and, regrettably, getting much worse. The predictions for next year are bad; unemployment is going to be a great deal higher next year at this time than it is this year, and I say that regrettably; inflation will be higher next year than it is this year, unfortunately; and as a result of the energy portion of that budget, we are in for some very tumultuous months ahead in terms of unity in this country. Things are going to get worse before they get better. We are in a very uncomfortable position, and there is no sense of direction from the government. There is no sense of purpose. One is hard pressed to come up with a definition of what are the goals of this Liberal government. The Prime Minister is involved in some sort of North-South dialogue, running around in Brazil in his tennis shoes. No one quite knows what he is doing; looking for avocados in Austria. The Minister of Finance delivered an energy address which is having a disastrous effect on the country. The minister of industry says he cannot get around to thinking about an industrial development strategy as long as the constitution remains an issue. There is nothing happening in terms of transportation, agriculture or in any area of the economy that we can see.

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Faced with that kind of drift, the energy industry people of my part of the country are abandoning this country as a place to invest. Tragically, they are abandoning Canada. They are leaving for the United States, or at least sending their money there, awaiting a change here or some direction or sense of purpose from the government. People in other parts of the country are in despair over what is happening. The polls tell us what all we politicians are hearing directly, that is, that most people think next year will be worse than this year. That is rare because people are optimists by nature. They usually think things will be better next year than they are this year, yet for the first time for a long time people are thinking things will be worse next year than this year. This really is a cause for alarm. Rather than groom himself for a potential higher office, which he apparently is doing—he is changing his image to protect himself from the political risks he might be taking—I suggest this might be an opportune time, for the sake of