

The Budget—Mr. Nystrom

Let me deal with the deficit. Much of what is happening today is a result of the deficit. Of course, the deficit is a concern, but only one of many concerns. However, after the election the deficit became the number one priority for the Party opposite. Consequently we see a cut back in services and an increase in taxes. Because of the way the deficit is attacked we will probably see a recession in Canada.

In fact, the Government itself is predicting an unemployment rate of 8.5 per cent in 1990. No one wants a deficit of \$40 billion to \$60 billion, but the Conservative Government is the one that has accumulated more debt in four and a half years than any Government before it in the history of this country. It is the expert at accumulating debt.

If the Government wants to bring down the deficit and create a strong economy to support day care centres, small business, farmers and poor people, it could take a number of steps.

First, let us bring down interest rates. A drop of 1 per cent in interest rates will save \$1.5 billion over a year on the interest payment on the national debt. A drop of 2 per cent in the bank rate will save \$3 billion in the course of a year. Our bank rate is about 3.5 per cent higher than that in the United States. There is no reason why we cannot have a bank rate that is at least 2 per cent lower than it is today.

There is also no reason Canada cannot show some leadership at the G-7 in terms of encouraging lower interest rates around the world.

I do not know how many Canadians are aware that the real interest rate in Canada now is higher than it has been at any time. In August 1981, the year of the high interest rate policy of the MacEachen-Trudeau Government, the real interest rate was 8.33 per cent. The real interest rate now is 8 per cent. The high interest policy is making small business poor and making farmers poor. It is making it more difficult to buy homes, and it is making ordinary working people in this country a lot poorer.

The bank rate today is 12.6 per cent. The inflation rate is 4.6 per cent and the real interest rate is 8 per cent. In 1981 the bank rate was 21 per cent and inflation was 12.7 per cent. The real interest rate was only 8.3 per cent.

As a result of the high interest rate policy in 1981 there was a recession in 1982. I believe we will see a repetition of history. The same thing is likely to happen next year as happened to Mr. MacEachen in 1982.

Second, if we want to bring down the deficit and create more money for day care and other social programs, the Government should be spending money on the creation of jobs rather than cutting back regional development programs. It should be investing in agriculture, in small business, investing in the regions and in local development. There should be a more decentralized vision of economic development in Canada.

The Government should be investing in the co-operative movement and in research and development. It should be investing in those things that will pay great dividends for Canadians in the years ahead.

According to Judith Maxwell of the Economic Council of Canada, for every point that the unemployment rate drops in Canada, the federal Government will get an extra \$2 billion of revenue. It is extra revenue because there is a cut-back in unemployment insurance pay-outs. Of course, that will be gone because the Government is privatizing it. There is a reduction in welfare pay-outs under the Canada Assistance Plan and there are extra taxes paid by people who obtain the jobs. Let us lower the interest rates. Let us create jobs in this country. Then let us have serious tax reform so that the rich will pay their fair share, loopholes are closed, the over 6,000 people who pay no taxes but have incomes of over \$50,000 per year will pay taxes and the over 80,000 corporations that pay no taxes while making profits will pay taxes. Let us have a serious minimum corporate tax. If we would do those things, we would have extra money to bring down the deficit and we would have money left over for social programs.

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Finally, let us have a special parliamentary inquiry to inquire into all the tax expenditures that are made to big corporations. The amount of money that has gone to the big business sector has increased in the last five or six years. We could save money through cut-backs in subsidies and tax write-offs to big business.

In conclusion, this Conservative Budget does two things. For ordinary Canadians, it brings on the big Tory tax attack. Those ordinary Canadians, when the national sales tax comes into effect next year, will pay an extra \$1,700 per year in taxes.

The second thing the Budget does is implement a big business Conservative agenda that will scale down social programs, cut back expenditures on equalization and transfers to the provinces and regional development and cut back on money for farmers, small businesses, workers and the unemployed. In the end it will make Canada