

Comment

Mulroney's formula for inflation

Dear Prime Minister:

Today's column is being devoted to recording some of the public comment that I have heard about your new budget. My ears may have picked up some fine nuances missed by the daily polls on which you seem to rely so much.

Contempt and anger are the politest terms that I can find to describe what many thoughtful people are expressing. You seem to have managed a rare feat: Stirring Canadians out of their normal apathy. In a more emotional country, there would have been rioting in the streets.

People don't have to be economists to understand that you have committed a tragic, even historical error by failing to cut ruinous government social spending. You will probably not have another chance; the next budget will be filled with pre-election goodies. Unless the Tories get their act together, the Liberals will likely win the next vote — and they will try to outspend you.

Grim news for Canada. Higher taxes mean economic stagnation, falling investment and flight of capital to the U.S. Canadians, before this latest budget, were already among the highest taxed people in the western industrial world. Canadians will now spend their energies evading taxes rather than creating new wealth.

Equally bad, you have sent a signal that big government will not be cut. Ordinary Canadians are being told to "sacrifice" while bureaucrats ride in limousines, jet off to Europe, dine in style and occupy prime office



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space. Our soldiers don't have ammunition — and may soon be without boots — but your army of overpaid bureaucrats lives like pampered plutocrats.

Mr. Prime Minister, a government should work and even die for its people, not the people for its government. Yet everything you are doing benefits the growth of big government. Tax increases will be used to hire more functionaries. When investment capital flees south only the government will be able to provide such funds. Trudeau may have brought socialism to Canada. You have enshrined it.

To a lot of very angry people, you seem more concerned with a few votes from baying women's groups than the long-term economic health of Canada. Remember when you promised to "slash government spending?" Of course you don't. But I do. In April, 1984, I wrote that in spite of such promises you looked like a clone of Trudeau and that your policies would cause the dollar to drop to 70¢. I dearly wished that I had invested my savings in going short on the Canadian dollar.

Now our wretched dollar is continuing to fall. You may fool some Canadians, but the flinty-hearted bank-

ers have looked at your policies and found them a recipe for economic decline. History will record that you presided over the final transformation of our dollar from a hard currency into Third World wampum. When, I wonder, will you have to impose exchange controls?

Over recent weeks, all major currencies have risen against the U.S. dollar except the Canadian dollar — and the South Korean won. Good company we're keeping these days. Just as bad, we can now watch Ottawa-created inflation begin to steadily increase. In your last budget you de-indexed taxes, meaning that as inflation pushed people's incomes up, they would have to pay even higher taxes.

Very tricky and befitting a Latin American government. So now Ottawa will cause inflation to rise and thus take in more tax money to be spent on bigger limos, faster jetliners and richer meals. All that you have done is peachy for welfare mothers, government workers, tax accountants and those countless groups noisily sucking at the public teat.

But what, sir, about the wage earners and entrepreneurs who pay the bills for this gaudy socialist Nirvana? You are bleeding them dry. In the process, you are turning once proud and secure Canada into an economic cripple and military eunuch. What dismay us the most, is that you had the power to give Canada bitter medicine and cure its economic sickness. Instead of action and resolve, all we saw was timidity and deception.