Tough times lie ahead for federal politicians

The International Monetary Fund may have succeeded in doing what Finance Minister Michael Wilson and all the economists in Canada have not: scaring us into acquiescing to big_ government spending cuts.

In a confidential report the IMF prepares each year for member countries, the international agency says Mr. Wilson must cut the federal budget deficit by a staggering \$9 billion this year. Mr. Wilson's budget is due next month.

The deficit is running at roughly \$30 billion a year, so \$9 billion would be a cut too painful to contemplate. But if Ottawa does not get its house in order, the Canadian



Your **Business** Diane Maley Thomson News Service

dollar will tumble on world currency markets and interest rates will soar, making the deficit even larger in future, the IMF says.

"There's a message behind the IMF report," says Carl Beigie, economics professor at the University of Toronto and chief economist

for investment dealer McLean Mc-

Carthy Ltd. in Toronto.

"The message is to the Canadian public, who have been sleepwalking to an even greater extent than the US public, and to Michael Wilson, who keeps saying that everything is on course. It's not on course," Mr. Beigie says. "The IMF is saying, you haven't done enough; you have to take really dramatic moves right now.

BOLD MOVE

"This is a relatively bold statement for the IMF," Mr. Beigie notes, although economists have been urging the federal government to cut spending for some

time. While he agrees with the thrust of the report, Mr. Beigie does not agree that Mr. Wilson must cut \$9 billion now.

The IMF is overstating its position, he says. "I'd give them a B minus."

Even so, Mr. Wilson likely will use the IMF report as ammunition when he begins preparing his budget. In the past, the finance minister has faced opposition to spending cuts from his colleagues and Prime Minister Brian Mulroney, who fear the wrath of the Canadian people.

Mr. Wilson's budget forecasts are optimistic, the international economic watchdog says. Canada's deficit will persist at \$33 billion until 1993-94 rather than dropping to \$22 billion, the finance department's number.

The IMF forecasts that the national debt will climb to \$417 billion (60 per cent of national output) by 1994; Mr. Wilson's numbers project it at 57 per cent of output.

BROAD CUTS URGED

Federal transfer payments to the provinces, agricultural subsidies, unemployment insurance and regional development incentives are a few of the areas targeted by the agency. It also urg-

ed the government to raise taxes by broadening the tax base and doing away with tax breaks to resource companies and small businesses.

If the government fails to take its advice, the IMF warns, Canada will end up with a lower exchange rate, "sharply higher interest rates and a large drop in stock market prices." Growth will stall and private investment will dry up.

This grim news must be taken with a grain of salt. Even so, tough times are ahead for people and sectors dependent on government spending - universities, health care, the CBC.

- Tough times are ahead for federal politicians, too, as they begin to tighten the fiscal screws. Come budget time, Mr. Mulroney and Mr. Wilson will not be popular



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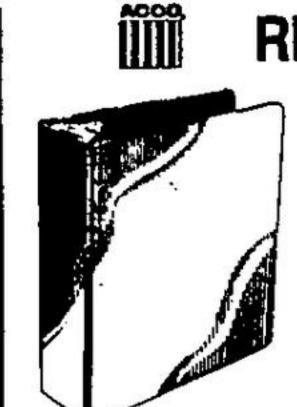




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