

Supply—Finance

said to the hon. member for Regina the other day. I believe we understand why they do not want to bring in a budget now. There would be a conflict of interest if the minister during his leadership campaign had to bring in a budget which called for another tax increase. He will leave that for the new leader. A few years ago it was said in the house that the government was rudderless. Now it is both rudderless and leaderless. I say to you that I believe this was proven on February 19. Obviously not very much will be done about the financial mess until the leadership convention is over.

In the meantime the bank interest rate is soaring at 7 per cent and higher. The N.H.A. mortgage rate at 8½ per cent is out of reach of the majority of young Canadians and the average cost of a new home has risen 28 per cent in the past four years. What kind of policy is this? In addition, the provinces are financially unable to take on the responsibility of the federally designed medicare scheme, although most of them have schemes of their own which are equally good and a lot sounder financially. Instead of getting together with the provinces to work out a scheme that would be both feasible and practical the government insists on imposing its own particular scheme on the provinces even though it will be neither national nor portable.

I think the people of Canada should know that the government must face the bills both for medicare and Expo. The Expo deficit is estimated to be between \$100 million and \$200 million. The minister stated that these figures were not included in the last budget. The government tried to sweep this under the rug but it was still there. The other day in the house the minister said that it has been looked after. I suspect that the only way it could be looked after would be by having a larger deficit for the people to pay.

A while ago the former minister of finance, the President of the Privy Council, added to the confusion a little by bringing down a report which would have the effect of strangling our economic expansion by cutting off capital investment. There is no surprise in the fact that investors at home and abroad have lost confidence in the government's ability to manage the economy. It is an indication of the strength of the economy that we have maintained prosperity in spite of high taxes, high prices and the general mismanagement of the government.

[Mr. McKinley.]

● (4:50 p.m.)

Canada has been receiving \$1 billion per year in the form of United States investment. That money is needed for expansion and the provision of jobs in Canada. In 1965-66 United States citizens invested \$1,500 million in Canada. I should like to know how the President of the Privy Council intends to replace this investment if it is cut back. There has been a definite decline in economic expansion in this country as a result of the government's action in increasing taxes and bringing about measures which have increased the high level of government expenditure.

Since the first part of 1966 production has risen at a rate of only 2 per cent compared with the 6 per cent increase in the preceding five years. A growth rate of 2 per cent is not sufficient when one considers the additional 200,000 people entering our labour force each year. Income is slowing down at the same time that unemployment and inflation are increasing. In this regard I agree completely with the hon. member for Carleton.

Canadian productivity is only 70 per cent of the level attained by the United States. Unless we can keep pace and keep costs down we will be unable to compete in export markets. The report of the D.B.S. last September indicated that prices had increased by 4 per cent since 1966. The cost of housing has increased to a greater extent than ever before, and the sales tax on construction materials has not alleviated the situation. Federal expenditures under this government have increased by 60 per cent since the fiscal year 1962-63 after it took office. The government forecast of governmental expenditure is \$10 billion for 1968-69. This estimate does not include the cost of medicare or the Expo deficit. As government expenditures have risen the cost of living has risen. This is partly the result of an increase in indirect taxes which Canadians pay for housing, food, clothing, medicine and all those things needed to maintain life.

The government says it intends to cut down on expenditures. Government spending increased last year by 4.6 per cent. I suppose the minister is trying to save money to offset the money he lost as a result of the defeat of his measure to increase taxes. It appears that government finances are pathetic. Public confidence in this government has evaporated. The Bank of Canada is desperately afraid of the dollar value sagging and the government has taken measures to prevent such an occurrence. In the meantime the farmer has been