

Income Tax Act, 1986

of indexing the income tax system and the personal exemption system. As I have indicated, the Member for Cochrane-Superior (Mr. Penner) outlined the effect that that will have on the average income tax paid by middle-income and lower-income Canadians. It will be a very negative effect. It is a backward step for the present Government to destroy a principle that was accepted by all political parties in the mid-1970s simply because of a drop in the annual inflation in the country.

As the critic for national health and welfare, I happen to believe that the social policy direction indicated by the May 23 Budget and exemplified by Bill C-84, is a step in the wrong direction. I appeal to the back-bench members of the Conservative Party to stand up and voice their concerns by voting with us, the Opposition, on some of the amendments which we have put forward on Bill C-84.

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, it is about time the House and the Opposition realized that the best social policy for the country is jobs. We have given jobs in great numbers.

Some Hon. Members: Hear, hear!

Mr. Blenkarn: Another social policy that we have is to pay our bills and reduce the deficit. We are reducing the deficit and this is one of the very few measures in this statute that increases taxation. Yes, it increases taxation across the board if there is some inflation. It reduces the exemptions that people have—

Mr. Frith: It widens the gap.

Mr. Blenkarn: He says that it widens the gap. It widens the gap, all right, in the reduction of the deficit. That is the gap we are going to close. We are going to get it a long way down and we need the co-operation of the Opposition rather than stupid, foolish, and ridiculous suggestions about social policy. Our social policy is working in spades. It is working in my constituency where the problem today is not "jobs, jobs, jobs", it's "people, people, people" to fill them.

Mr. Frith: Just forget about Atlantic Canada, northern Ontario, and New Brunswick.

Mr. Blenkarn: The problem with the Opposition is that when it was their turn in Government they were quite prepared to hack away at social policy objectives by using a reduction in indexation through their six and five program. Now we have inflation down to 4 per cent and it is perhaps going below that.

Mr. Foster: Who got it down?

Mr. Rossi: Not you, Don. You didn't get it down.

Mr. Blenkarn: One of the major problems with indexing is that it feeds itself. It validates the inflation. There is a provision in this Bill which reduced indexation with respect to tax allowances and the tax rate by expecting people to absorb the first 3 per cent of any inflation that takes place. We expect

citizens to absorb some of the costs of inflation because, unless we do so, inflation protection measures continue to feed the inflation that we want to reduce.

It is important for the House to realize that the Government cannot continue to index everything and expect to balance the Budget. One of the major causes of the serious shortage of revenue as against expenditures which exists in our budgetary process has been the result of the indexation that has been extended to all of our social programs and our tax system. Before indexation was brought in on a broad scale to cover pensions, and every other form of benefit, allowance, or charge of the Government, generally speaking Governments were very close to balancing their budgets. Since then our deficit has grown year after year, and often more in good years than in bad years.

Speaking in round figures, for every dollar we spend we only bring in 65 cents in taxes. The other 35 cents must either be borrowed, printed, or somehow taken away from pension reserves. That policy cannot go on. However, that is the social policy advocated by the Member for Sudbury (Mr. Frith). His social policy is that it is all right to borrow, and that it is all right to pledge the future of your children, that of their children, and that of their children's children, as long as we have it today.

That is not our policy. Our policy is to attack the root of inflation by refusing to validate it. Our policy is to collect more revenue to reduce our shortfall. I am sorry that means more taxes in some senses. That is the purpose of this section and that is why it is in the Bill. I do not think anyone in the House really wants to pay more taxes. No one wants to pay more taxes, but we as Canadians, as a responsible Party, and a responsible Government, tell ourselves that we have to pay our way. In that sense, the amendment is irresponsible because it says: "Sir, I want more cake, I want more, more, more, and I don't want to pay for it". I am surprised that the Member for Saint-Henri-Westmount (Mr. Johnston) brought that position to the House. I would understand it from his Party, but not from him.

Inflation feeds on itself. Indexation validates inflation. It may be necessary for the Government to take one step further and abolish all forms of indexing, because we cannot forever increase payments to people and reduce taxes to people because the cost of living continues to go up. When we do that the cost of living is just passed on and the next year's cost of living goes up. We saw how that worked when we had a provision whereby liquor and tobacco taxes were indexed to the cost of living. We imposed taxes, the price of the articles went up, and that justified a further increase in taxes. Therefore, we imposed more taxes, the price of the article went up, and that justified further increases in taxes.

Here it works exactly the opposite. When the price goes up, we reduce the tax. We have less money to pay Government expenditures, but because we are also going to index benefits, as the price of things go up we increase benefits. Again, our deficit is smaller, our tax revenue goes down, and our expenditures go up. Of course we have this massive, built-in, perma-