

Income Tax Act

to the ordinary person, as a rule. But when these shortcomings exist in an income tax law the situation becomes very different. Virtually everyone in the country is directly affected, and affected continuously from year to year.

The complexities of capital gains taxation will affect many more people than does present income tax. Most of the burden of coping with this complexity will fall on taxpayers in business, rather than on salary and wage earners. Then, too, there is the question of the added expense. The cost of complying with the new tax law will, like other business costs, find its way into the prices of goods and services which we all buy. An income tax law should not be rushed on to the statute books; the consequences of errors and ambiguities are far too damaging. This is one of the first objections I have to the proposition before us.

I turn, now, to another aspect, that of inflation. Your Honour will recall the words spoken by the Prime Minister (Mr. Trudeau) last December when he proudly announced that inflation was licked and that he could, as a result, go on to deal with what he considers the No. 2 problem, namely, unemployment. It is strange indeed that after the employment situation has been used and manipulated by a deliberate depression of the economy, we find that not only has unemployment increased in our midst but inflation has not been licked either.

• (8:30 p.m.)

Just the other day when speaking in Port Hope the Prime Minister had to admit that inflation was rearing its ugly head again and presented the government with a much tougher problem than it had before. It is strange that some of those who advised the Prime Minister and who are responsible, as tax experts, fail to understand the situation as it exists today, not only in this country but in all western countries, which is that you can no longer manipulate the economy in such a way as to push down inflation without affecting the other aspect, unemployment.

It is time we realized that those theories which may have worked before World War II and in the more prosperous years thereafter have been replaced by a situation which requires something very different from before. If we are to come to grips with the problem of inflation we must gear our financial policies to consumption rather than to profits. This is the reason the present incentives given to industry are not really producing the jobs in the way they should. Quite the opposite is true. The government is giving subsidies to industry and inflation is going ahead faster than ever before.

So the Prime Minister was right when he admitted that he cannot do as was done before. He said we cannot slow down the economy again because it is already slowed down. The problem now is how to put more money into the economy and stop inflation. The Prime Minister went on to paint a very gloomy picture of what would occur if the government imposed compulsory controls. He said very clearly he was not in favour of compulsory controls on either wages or prices. It is one thing to speculate in a pre-election campaign in parts of the country, but it is another to come up with an economic policy which will face up to the problem of inflation and at the same time provide jobs for an expanding population.

[Mr. Thompson.]

It is interesting to note that one of the most severe and intelligent critics of the government's financial policies in this budget is the leader of the Liberal party of the province of Manitoba. Mr. Asper is rather alert in some of the things he says. I wish that instead of trying to build a party in Manitoba he would come down here and give some advice to the Prime Minister and the Minister of Finance, who are certainly in need of sound advice so far as monetary economic policies are concerned. Mr. Asper had this to say on June 19:

But the budget plan has a major failing. It suggests we can honestly finance the tax cuts and economic expansion by further deficits, financed by creating more public debt. This does nothing but postpone the day of reckoning. For over a decade now, Canada has financed its economic slowdown by spending more than it produces in revenues.

It is good to find someone who supports what I have been trying to say in this House for a long time. Let me read what he has to say with regard to the folly of this course of action:

The folly of this ought to have been learned in the lessons of the past few years, where, because of the massive federal deficits of earlier years, and the government borrowing needed to fill the annual hole, we have been suffering tight money, and worse, expensive money, because government has attracted the majority of loan moneys available, causing private borrowers to have more difficulty and more expensive access to money markets.

Government does nothing for the average Canadian taxpayer, when, with one hand it reduces his annual taxes by \$200, while with the other it takes it away indirectly by forcing up the interest rate he must pay for a mortgage to enable him to buy a home.

Last Friday's budget speech indicates Ottawa is going to borrow \$1.4 billion this year, and \$2.4 billion next year. The federal deficit this year will be nearly \$400 million, and next year, as if to compete with the years of Walter Gordon, the fiscal cavity will be \$750 million, written in red.

The federal deficit no doubt will be more by the time the supplementary estimates are finalized. So I am disturbed by the economic policies which are bound up in an attempt to balance the budget through deficit financing. I might give the Minister of Finance a bit of advice. It is very simple. I think it came from my grandfather a long time ago. I wish more people on the government side would remember these few simple words: If your outgo is more than your income, then your upkeep will be your downfall. That is exactly what is happening in the government now.

Another aspect of the budget is simply that you cannot possibly bring in a federal budget without proper and complete consultation with the provincial governments. Taxation reform is not the sole prerogative of, nor does it affect only the federal government. It is imperative that the provincial governments and the federal government plan together. The question of estate taxes and gift taxes, as they have been deleted by this budget, is an ample example of this. I confess that getting rid of the estate tax seemed to me to be a good thing, but the problems the budget has produced for the provincial governments in the area of the proposal to delete estate taxes have been tremendous.

The government has failed to properly consult with or listen to the provincial governments. Whether or not it is the provincial, municipal or federal government which is involved, it is the same taxpayer who pays in every case. So it seems that in this area as well, because regional