

*The Budget—Mr. MacLaren*

Upon its election four years ago, the Government stated that it had three major objectives in deficit reduction. It has failed to reach any of them.

The first objective was “to achieve continuing sizeable year-over-year reductions in the budgetary deficit”. Yet the Minister of Finance (Mr. Wilson) has now stated that the deficit will be at or near \$30 billion this year, more than \$2 billion over that of two years ago. There is no certainty that even the Minister’s target of \$30.5 billion for next year will be met.

The Minister’s projected growth rate for the economy is 3 per cent, an optimistic figure viewed with widespread skepticism. The deficit is higher today than it was two years ago. This is not a continuing sizeable reduction. It is in fact no reduction at all. In the prime objective which it set itself, the Government has failed.

The Government’s second stated objective was “to reduce the growth of the public debt to no more than the growth of the economy”. The debt in 1984 was \$170 billion when the Government took office. Today it is \$320 billion, an increase of almost 90 per cent. That debt continues to grow faster than the economy. The Government’s debt now accounts for more than 56 per cent of our Gross Domestic Product. It was only 45 per cent when the Government assumed office. The second objective of the Government: its second failure.

The Government’s third objective was “to make expenditure control and good management the primary focus of fiscal restraint”. In other words, to reduce the deficit by cutting expenditures and not by increasing taxes. Yet over the past four years tax increases have almost matched expenditure cuts. The Conservative Government has imposed on Canadians the highest tax increases in Canadian history. Canadians have had imposed on them a partial de-indexing of income tax; a 3 per cent income surtax, which has now become 5 per cent; an increase in the sales tax from 9 per cent to 12 per cent, which has now become 13.5 per cent; a 10 per cent tax on long distance telephone calls, which has now become 11 per cent; a five cent increase per litre on gasoline, which will now become 7 cents; and an increase on air transport taxes without additional safety in the air. This list is but a sampling of the Conservative tax increases.

Have these tax increases been spread equitably among all taxpayers? No. The National Council on Welfare recently released a study showing that during the four years of Conservative Government, the personal income tax of a working poor family went up by 60 per cent; those of a middle-income family went up by 17 per cent; while those of an upper income family went down by 6 per cent.

**Some Hon. Members:** Shame!

**Mr. MacLaren:** During the past four years there have been major increases in taxes. As a result of this Budget, an average income earner will pay \$700 more in taxes annually. This means that the same family is now paying \$2,000 more in taxes since the Conservative Government was elected.

With this kind of record, with this piling of tax upon tax, I can well understand why the Minister of Finance did not repeat in this Budget his 1984 election pledge that he would not raise taxes. The third objective of the Government: its third failure.

The Minister has cut government spending and has increased taxes. The Minister is predicting a slowdown in the economy and a rise in both the inflation rate and the level of unemployment. That is a recipe for recession. The Government cannot at the same time reduce its spending, increase taxes, and raise interest rates and hope that somehow the economy will continue to grow this year by 3 per cent.

Real interest rates are too high. They are now at a level where they themselves contribute to inflationary pressures. Interest rates are now so high that they are a major reason why the deficit is a problem. The problem of the deficit, however, does not arise from the fact that the Government has spent too much on social programs, regional development, education, housing and training. It arises from the fact that through government inaction interest rates today are too high.

The Bank of Canada, sensitive to any portents of inflation, has steadily raised interest rates for the past two years in an effort to lessen inflationary pressures which, as the provincial Premiers have repeatedly pointed out, were and still are mainly generated in central Canada. In the absence of any fiscal leadership from the Government, monetary policy has been left as the single crude tool to counter possible inflation in an economy already characterized by widespread differences in levels of unemployment.