

The Budget

Bill reported.

● (1600)

Mr. Deputy Speaker: When shall the bill be read the third time; by unanimous consent now?

Some hon. Members: Agreed.

Mr. Whelan moved that the bill be read the third time and do pass.

Motion agreed to and bill read the third time and passed.

ROUTINE PROCEEDINGS

[English]

Mr. Deputy Speaker: Pursuant to the order made earlier this day, the House will now revert to statements by ministers.

THE BUDGET

MODIFICATIONS TO MEASURES

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Mr. Speaker, in the budget on November 12 I addressed the main obstacles to sustained economic growth, which are inflation and high interest rates. Through a strategy of deficit reduction, the budget combats inflation and reduces upward pressure on interest rates. It is a strategy for creating permanent jobs and growth, not just for this month and next month, but for next year and the years after that. I am convinced it is the right strategy and the one we must continue to follow.

Some hon. Members: Hear, hear!

Mr. MacEachen: Within the framework of that strategy the question was not whether to raise additional tax revenues, but how. Should I raise tax rates, or should I focus on broadening the tax base? Should I increase the load on those already carrying it, or should I spread the burden more evenly? I chose to spread the burden more evenly. I designed a tax package which reduced tax expenditures. These benefits in the tax system reduced taxes for some, but they inevitably had to be financed by taxes on those who did not or could not benefit from such incentives. At the same time I proposed a reduction in tax rates for many Canadians. This meant that I was able to carry on the fight against inflation without increasing taxes for the vast majority of Canadians.

In my view it is the tax package that will improve the basic fairness of the tax system and ensure that tax preferences are more carefully targeted to economic objectives. Those are the fundamental principles of the tax measures and I have no intention of altering those principles; not today or at any time during the consideration of the necessary legislation.

Yet, Mr. Speaker—

Some hon. Members: Oh, oh!

Mr. MacEachen:—tax changes are rarely popular when new revenue must be raised. The groups and individuals who experience tax increases naturally seek relief. That is part of the inevitable dynamics of the post-budget period. The government then must continue to ensure that the common interest of all Canadians is preserved while legitimate particular interests are taken into account.

Over the past few weeks I have received many representations.

Some hon. Members: Oh, oh!

Mr. MacEachen: That, Mr. Speaker, is probably the understatement of 1981.

Some hon. Members: Hear, hear!

Mr. MacEachen: I have listened carefully, and I must say I am grateful to those who have made responsible submissions. The dialogue I have conducted with many delegations and with many citizens has given me an opportunity to explain the budget and to remove many misunderstandings. Even the most concerned groups have found that the budget is far more beneficial to them than the rhetoric of some spokesmen has indicated. I believe, for example, that the impact of the tax measures on investment is becoming better understood. Many of the tax preferences—

Some hon. Members: Oh, oh!

An hon. Member: That is why we are here today.

Mr. MacEachen: Mr. Speaker, many of the tax preferences which the budget eliminated were inducing people to invest in relatively safe shelters at the expense of investments in shares of Canadian corporations and other risk ventures. I also believe that investors are becoming more aware of the very positive impact on investment of the cuts in tax rates and the strategy of reducing inflation and interest rates.

The other positive consequence of the intensive dialogue over the past few weeks is that I have received several useful suggestions for improvements within the main framework. I must say that I am particularly thankful for the advice and support I have received from my friends in the Liberal caucus—

Some hon. Members: Oh, oh!

Mr. MacEachen:—and from supporters of the government throughout the country.

Some hon. Members: Oh, oh!

An hon. Member: All two of them.

Mr. MacEachen: As you have noticed, Mr. Speaker, there have been no defections from this caucus.

Some hon. Members: Hear, hear!