

Taxation

According to the November, 1981, budget, spending, taxes and the deficit will all be considerably higher this year than they would have been under the Conservative budget. In fiscal 1982-83, on a public accounts basis, the government will spend \$75.4 billion, or \$8.2 billion more than the spending projected in the Crosbie budget. On a national accounts basis the Liberals will spend \$86.9 billion, or \$14.3 billion more than was planned by the Conservative government.

The Liberals have broken their promise to hold spending growth below the GNP. In fiscal 1980-81, spending on a national accounts basis grew by 15.2 per cent compared to a growth in the GNP of 10.6 per cent. In fiscal 1981-82, spending rose by 22.1 per cent, compared to a nominal GNP growth of 13.3 per cent. Between fiscal 1980-81 and fiscal 1983-84, the Liberals will spend \$26.6 billion more on a public accounts basis than the Conservative government had planned to spend. On a national accounts basis they will spend \$44.4 billion more. The borrowing requirements over this period of time will be over \$6 billion more. Interest on the public debt will be \$16.6 billion this year, the equivalent of \$680 per capita, or \$1,750 per taxpayer. The government's gross debt and total liabilities was \$119 billion last year, and has probably exceeded \$135 billion by now. These statistics are reflected in the borrowing authority aspect of this bill and in the requirement to seize every opportunity to sock it to the Canadian taxpayer by adding tax upon tax upon tax.

● (1700)

But the implications go far beyond these facts. The most damaging implications are to be found in the rate of inflation in Canada and its impacting upon people measured through the cost of living index. This is where it hurts.

I want to read a short definition of inflation which is a pertinent commentary on Liberal government economic actions as specifically related to the need to borrow and the need to tax. Inflation, according to both conventional wisdom and the economics text books, means increasing and high prices. This definition is in error.

The price of anything which is bought or sold is determined by the interplay of three factors: first, the demand; second, the supply; third, the amount of money in existence. When a price increases because of a change in the relationship of supply and demand, the price of only a single good or service is affected. When a price changes because of an increase in money supply, prices of all goods and services increase proportionately. When prices increase because of a change in the relationship of supply and demand, the value of money is not changed. When prices increase because of an increase in money supply, the value of money is reduced.

Thus the definition of inflation as an increase in price is incomplete and confusing. It is proposed that inflation be defined as a decrease in the value of money. This decrease in the value of money then causes a general increase in all prices. The purpose of controlling inflation is to retain the value of

money. Inflation is often thought of as a disease of the economy. This is not true; inflation is the symptom of a disease. Inflation is a symptom, a symptom of an increase in money supply.

Most treatments of inflation are aimed at treating the effect of inflation. Artificial measures to change supply or demand are dangerous. Monetarism, the controlled growth of the money supply, is theoretically a better treatment. However, there may be an unfortunate side effect of monetarism. This is pertinent now to the bill. This occurs if the government does not stop its excess spending and instead shifts its financing mechanism from money creation to borrowing. The competition for the limited amount of money drives up interest rates to the point where they adversely affect supply and demand. That is exactly the situation that we in Canada suffer as a result of the actions of the Government of Canada.

There is an interesting article in *The Citizen* of Ottawa which is usually known as a pro-government newspaper. I wonder if anyone on the other side reads *The Citizen*?

Mr. Cousineau: Yes, every day.

Mr. King: In the April 27 edition of this newspaper, there is an article headed "Do-nothing policy fuels inflation". In part the article reads:

—the evidence suggests that the government had decided not to take any new economic initiatives—demonstrating once again its lack of foresight and its intellectual paralysis.

The official version of the decision to do nothing is that the government intends to pursue its policy of fighting inflation. Once inflation is suppressed, the argument goes, interest rates will fall and job creation will increase.

That would be fine—except for one thing. The government has no anti-inflation policy. What it has is a high unemployment policy.

The article continues:

High unemployment, brought about by the interest-rate induced recession, penalizes the most defenceless members of the work force, and that is blatantly unjust and cruel. It also won't cure inflation.

The majority of Canadians, who retain their jobs, will still demand parity with the inflation rate. Those who lose their jobs will have to be supported by government spending. The recession . . . will erode government revenues.

That means the government will have to borrow more, and inflation will persist.

That is an article written for *The Citizen* on April 27, 1982. I suggest members opposite read that article and take note of it.

Ronald Anderson wrote an article for *The Globe and Mail* which appeared on April 27, 1982. His article had the heading:

Having wiener roasts with wolf at the door.

Ronald Anderson writes this:

While the Canadian economy spirals downward in its steepest dive in two generations, the federal Cabinet met during the weekend at Meach Lake, its favourite holiday retreat, to ponder the country's most urgent problems.

The crisis agenda includes discussion of the next stage of constitutional reform, social policy and parliamentary reform.

How is that for having your priorities straight, Mr. Speaker? The article continues:

In between their searching analyses of what the Cabinet regards as the really crucial issues facing Canada, the ministers did find time for a passing reference to economic policy: They agreed to leave it alone.