

*The Budget—Mr. Saltsman*

The nature of the tax transfer system in Canada does not allow the Minister of Finance to balance his budget when there is 5 per cent unemployment. If he attempts this policy he will be frustrated. Tax revenues will fall below expectation and payments to unemployment insurance will rise. The economy will fall even further away from potential and a deficit will appear.

Canadians cannot afford to lose goods and services which they might otherwise have enjoyed because the Minister of Finance is unable to distinguish between the means to achieve policy and the ends of economic policy. The government's budget is a tool of economic policy and the balancing of the budget is not an end in itself. The government has set the goal of achieving potential output. To do that it must use its policy instruments wisely, reverse the rise of unemployment and plan a deficit that will put Canada back on her potential economic growth path. If the economy were fully employed it would seem as though the budget would be balanced automatically. A few years back in the 1950's when ministers were attempting to get a deficit they could not because the economy was operating at close to potential.

The minister might agree with what I say but argue that I am discounting the problems of inflation. Let me say at this time that I regard those problems seriously. I think steps must be taken to contain inflation, if only to avoid the kind of hysteria we have seen on the part of the government. The minister should tell the Canadian people that some price rises are unavoidable and that some prices have to catch up with other prices. As has been pointed out, many of our price rises are tied in with the United States. We should disentangle ourselves from the United States economy, so that we will not be so tied in with their problems.

In order to compensate for some of the inevitable price rises that will take place, I think the government as a matter of policy should be reviewing our pension programs, to see that they increase automatically, in order to take care of the difficulties and problems created for people on pensions. It is unfair for the government to suggest to pensioners that prices will be held and they will not be hurt. This government knows it cannot hold the prices beyond a certain point.

If the government were indeed to be truly fair and honest with the pensioners of this country it would make those adjustments, so that the people do not suffer from the price

increases. I believe the time is past when inflation can be controlled by macro-fiscal policies. It is not every part of the economy that is inflated. If a real attempt is to be made in this regard, specific policies must be instituted and specific measures must be taken. The government should create a prices review board to see that price increases are examined when they take place, in order to determine that they are genuine and that no price increases take place unless they can be justified.

Mr. Speaker, I should like to place on the record some information regarding the dreadful cost of unemployment when it takes place in this country. The Economic Council of Canada, when it talks about the year 1960, says:

The economy was capable of producing over 8 per cent more production and income than actually occurred. The increases in the major federal tax revenues stemming from an attainment of potential output would have been considerably greater than the implied rise in output itself. It has been calculated that personal income tax yields at the given rates would have been 12 per cent and corporation income tax yields by more than one third. In the aggregate, such calculations indicate the potential output levels in 1960. Federal yields, had the rates been given effect, would have been over 18 per cent higher than the actual collections in that year, and the economy was operating substantially below capacity.

Although it is very difficult to translate this kind of information into current terms one thing must be obvious. We have suffered an enormous loss in production as a result of unemployment. It would appear that there was a potential loss of five per cent in the 1967 gross national product, accompanied by an over-all tax potential shortfall of over 10 per cent. In other words, we lost \$6 billion in goods and services in 1967 and \$1 billion worth of taxes more than the minister is attempting to raise in this budget.

The purpose of putting these facts on record is to indicate the outrageous stupidity of a government that tries to raise its revenues by contracting the economy and making every small taxpayer pay for its mistakes. With an expanded economy, tax revenues would be more than sufficient to take care of the needs of this government plus the additional programs that are so badly required in this country.

• (8:20 p.m.)

This budget explicitly rejects the Keynesian revolution of government fiscal policy used in promoting full employment of the labour force. It rejects the application of modern