

Supply—Finance

payable by the taxpayer for old age security, and increased the general sales tax by one percentage point. He felt this would not be inflationary. But it has been. In his budget speech, as reported in *Hansard* at page 11331, he stated:

We must moderate the rate of increase in new public expenditures. Neither the capacity nor the willingness of Canadians to pay higher taxes should be taken for granted.

● (4:40 p.m.)

I suggest also that neither should the willingness of the House of Commons be taken for granted. Let me quote from an editorial which appeared in the London *Free Press* of November 1, 1967. I believe the London *Free Press* is one of the most factual newspapers in Canada. This is what it had to say:

Employment in the federal civil service grew last year at an average rate of better than 1,000 a month, a pace unmatched since the crash build-up during the second world war.

Although precise statistics on this year's growth are not yet available, most officials believe the rate is continuing.

At Jan. 1 there were 222,385 persons on the payroll of government departments and their direct agencies, a 12-month increase of 13,711 or 6.6 per cent.

These figures does not include independent federal corporations such as the C.B.C., Air Canada, Central Mortgage and Housing Corp., Atomic Energy of Canada Ltd., or any of the special agencies set up for centennial year and Expo 67.

Civil service employment has been creeping up steadily from its wartime peak to 116,000 in 1945. But it didn't really start to surge until the start of 1965. Since then it has been increased by an astounding 9 per cent.

This was going on while the minister was making these statements in his budget speech. The main feature of the budget of last June was to remove the sales tax on drugs, no doubt in order that Canadians, in view of what was coming, would be able to have recourse to cheaper sedatives. Canadians are being asked, through higher taxes and unemployment to pay for the inability of the government to adopt effective, long-range policies.

In his budget of March, 1966 the Minister of Finance also did not seem to have been aware of the situation. When he became aware of the fact that he was dealing with a runaway situation he seemed to have been unable to impress upon his colleagues the need to sacrifice some personal programs. As reported at page 3390 of *Hansard* for March 29, 1966, the minister said:

Our situation calls for some restraint in expansion; it does not call for deflation. As a nation we should ease up our foot on the gas pedal, not slam on the brakes.

I am sure we all remember those words. The government is now in a difficult position which was brought about by the unevenness of its fiscal policies and lack of restraint. The government must now increase taxes in order to meet its obligations and reassure the financial markets. Obviously the government failed to foresee the sharp change in the economic climate brought about in part by its policies.

In the budget of last June the minister urged restraint and increased federal expenditures by \$1.4 billion. Today the economy is levelling off but inflation continues to pose a threat. I say that the government waited altogether too long before dealing with inflation. Now the danger is that in attempting to do what the minister says they should have begun to do after 1965 they may bring great hardship and difficulty to large sections of the economy. Never was there greater need for clear, consistent fiscal policies. The following words appear in *Hansard* for April 10, 1962, page 2718. This was before I was a member of the house.

The taxpayer of this country is going to need a headache tablet when he is confronted this year with another deficit of \$745 million.

That was said by the right hon. Prime Minister. I have here the press release of the minister's budget speech of November 30, 1967, in which he stated:

These high financial requirements were due not only to the deficit in our budget accounts which was forecast at \$740 million—

The figure is almost the same. I believe this perhaps explains why the tax was taken off drugs, including headache tablets. We now find ourselves in a situation where all the indicators show a sagging economy. The unemployment figure for January included more than 6 per cent of the labour force. If one looks at *Hansard* one can see how those on the government side wailed about unemployment a few years ago. Now it does not seem to be nearly so big a problem. They say there is unemployment all over the world. However, while unemployment in Canada is rising the unemployment figure in the United States for the month of January was the lowest since 1953. It was a mere 3.5 per cent of the labour force.

Now the minister comes along with a surcharge on income tax. Canadians are paying more income tax now than ever before and are receiving less for it. The government does not intend to bring in a budget. When one is brought in I expect that taxes will be increased again. This is what the minister