

Canadian economy would be enough to generate a return to full employment.

As the economy enters the second quarter of 1971, the errors of the minister's forecast and the inappropriateness of the government's policies are obvious to everyone but the members of the Trudeau administration. Members of the Official Opposition have consistently pressed the government to found its recovery program on as broad a base as possible. Economic recovery is impossible without the active assistance of the private sector and other levels of government. The extent of the recovery needed is too large to enable the federal government by itself to guarantee success. Business confidence must be restored and the provinces and the municipalities must not be saddled with the increased burdens which have resulted from federal policies.

Tax cuts have been proposed in this budget but, frankly, they are a pale effort. Tax cuts now to increase private spending and, in addition, forthright tax reforms to ensure that recovery is not aborted would restore lost business confidence. Increased emergency assistance to the other levels of government, especially in the welfare area, would materially assist the provinces. We have seen the provinces unable to meet the legitimate demands of many municipal governments which are faced with skyrocketing welfare costs. I admit some of those costs are the result of pie-in-the-sky rules, some open doors where all that is necessary is to stand up and breathe and say you want welfare and you can get it. That is what has happened in many municipalities. They are having to rethink their positions. Yet people are there. There is a real problem and the federal government is doing nothing to assist the provinces to meet these demands.

If the tax cuts and emergency assistance had been forthcoming in 1970 when the problems we are facing today were abuilding we would not be faced with the acute situation in which we find ourselves now. This is the same thing. The Pearson administration and, in its early days, the Trudeau administration, stuck their heads into the sand with regard to inflation. Then, they took emergency action far too drastic. The net result is that we have been witnessing a sort of yo-yo operation or a fast movement up and down and it is just not working.

There are a number of other things I should like to say but I think I have been able to indicate that the government has not dealt with the problem of inflation. The minister had a lot to say in his budget speech with regard to the progress which had been made in fighting inflation. He mentioned that inflation was running at the rate of only 1.5 per cent in 1970. But all I have to do is to go to the Bank of Canada statistics report for the month of May of this year to find out just how true this is. I will admit that as between June of 1970 and December of 1970 there is a spread of approximately 1.6 points in the cost of living index. But this does not indicate that there had been a further spread of eight tenths of one point during the course, there had been an upward course and then a downward trend, and if we look through the budgetary exercises which we have before us we find that in January 1969 the index stood at 122.6 while in

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January 1970 it stood at 128.2. In other words, there had been an increase of 5.6 points. This is not a percentage. It is 5.6 points and as of January 1971 the index stood at 130.3, and in mid-April it was standing at 132.2 and if my memory serves me right, it is now over 133.

The Minister of Finance and the Prime Minister (Mr. Trudeau) thought inflation was licked. The cost of living was being mastered on the basis of the evening out effect due to the supermarket war. The supermarkets took it in the neck. We know very well what happened in the third of 1970 to the operating records of the major supermarket chains in Canada. That is where the losses went. This is where the government was led down the path. As a matter of fact the highest point reached by the food index was 131.9 in August of 1970. In December the figure had dropped to 125.6. It was back, at the end of April, to 129.1 and in May it moved back to 130. So, food prices are almost back to the level they had reached last August. On the other hand, the costs of shelter, transportation, clothing and all the other items which go into the scale have increased, and will continue to increase.

• (2:40 p.m.)

All I can see is an increase in that cost of living index. Last year it was at one and a half points but right now it is over five points per annum. Regardless of what the minister says, it is almost as bad as it was in 1969. I do not enjoy that, Mr. Speaker, as my colleagues and I feel it as much as anybody else. But I insist that government policies are predicated on the fact that they say inflation has been licked; I say it has not. We will see who is right.

I would have had a great deal more to say about unemployment, Mr. Speaker, but I am going to bring my remarks to an end at this time and therefore I will move, seconded by the hon. member for Mackenzie (Mr. Korchinski):

That the motion be amended by deleting all the words after "that" and substituting therefor:

"That the government's budget fails to contain sufficient tax reductions and other economic incentives to promote a dynamic expansion of the Canadian economy now troubled by rising inflation and high unemployment and its tax reform provisions not only fail to compensate for the above deficiencies but they do not provide for the sustained expansion of Canada's economic growth and activity as well as the elimination of poverty and the maintenance of necessary social benefit programs".

Mr. Max Saltsman (Waterloo): This is one budget, Mr. Speaker, that if not deliberately confused certainly is confused in the sense that it combines two major elements, tax changes and fiscal policy. We cannot discuss one without the other, particularly if we look back to some of the figures with which we have to deal. We find that in the Carter commission report on taxation and even the white paper, these predictions and figures were based on a relatively balanced budget position. The present tax provisions are based on a deficit position which means that all the things that Carter said were possible, and that the white paper said were possible, in terms of tax benefits to the people should be increased because of the deficit position of the present budget. It simply means