

bank. I know the minister will say, "Well, we closed off the income debentures". The fact that they did not close off the income debentures, that they only grandfathered them, means that we have been losing over \$300 million a year since November, 1978.

The minister well knows that that is the reason the income tax rate of the banks is absurdly low. It may be of interest to the House that in 1970 our chartered banks paid taxes of about \$250 million on profits of about \$500 million. Their tax rate was 52 per cent. In 1979 because of this loophole which was organized and engineered by the Liberal government our banks paid taxes of \$230 million—\$20 million less than they paid in 1970—on profits of nearly \$1.3 billion. Then the government comes in here and says that it does not have any money. Of course it does not have any money because it has been giving it away for ten years, not only to the wealthiest corporations but to the wealthiest citizens as well.

This government, since the Carter commission gave its report, has created more loopholes and a more anachronistic, regressive system than when we went into tax reform in 1964. Tax reform is an idea for which the time has clearly come again. It is simply no longer acceptable for this government willy-nilly, budget after budget, to take taxes off here and increase write-offs there, and make little changes here and there which have an over-all impact of a \$32 billion tax expenditure budget, almost half the amount of direct federal spending.

I do not need to tell the minister that in contrast to direct federal spending—much of which is directed to Canada's least favoured citizens—tax expenditures goes all the other way. In all the benefits, whether one looks at the RHOSPs, RRSPs or whatever, the people who are at the highest level are those who receive the most income. I think this country has been cheated. I think Canada has been cheated because twice it voted for economic change. It voted for economic change in May and it received the same old orthodoxy, only in spades. It voted for economic change in February, and it received the same old orthodoxy, but this time with a different suit of cards.

**An hon. Member:** The two of clubs.

**Mr. Rae:** Yes, the two of clubs, any way you care to look at it. It comes out in a more pallid form. The Minister of Finance (Mr. MacEachen) is now more evasive and less provocative than his predecessor, but the substance of what the government is trying to do is substantially exactly the same.

Ironically it was expressed very vividly today by the Prime Minister and by the minister of housing. The minister of housing told us today that the government was considering closing down the community services program. Their program provides sewers, bridges and the basic infrastructure for each and every town. This government is telling us that because of the way it has fouled up its own spending and because of the fact it does not have a handle on the difference between investment and money down the drain, it does not have sufficient funds to invest in basic infrastructure for our towns and cities.

### *Borrowing Authority Act*

It is a lunatic prospect which we see before us. We know what they are like because we had the misfortune of sharing a side of the House with the Liberal party for a certain time. I had the opportunity to travel with the Minister of Energy, Mines and Resources (Mr. Lalonde) when we were both members of the Canada-United States Interparliamentary Committee, and I know the views he expressed at that time about the gas pipeline. We all know what Liberal candidates were saying in our ridings when we ran against them.

The minister said I am not embarrassed by this change, by the abandonment of the commitment on the pipeline. Nothing embarrasses the Liberals because they do not know the meaning of shame. They are without shame; they are shameless. Just as it abandoned the commitment on the pipeline, so too they left a false impression with the Canadian people—that if they were put back into power they would do something about getting the economy going, and "wasn't Mr. Crosbie's and Mr. Stevens' budget terrible because of the way in which it focused on the deficit?" This government has about as much understanding of the concept, means and notion of borrowing in order to invest as it does of the meaning of honesty, and that is to say nothing at all.

I believe it is time that the government talked sense to the Canadian people about budgets, deficits and the notion of borrowing. That is precisely what we have tried to do with the economic statement which I released today and which I discussed today in the House. We should not be authorizing borrowing by a government which does not have the decency to bring in a budget. Budgets and borrowings should go together because we need to see the purposes for the borrowing before we, as the House of Commons, can agree to allocate money.

● (1640)

We have to bring our method of managing a modern economy into the twentieth century—into the sunlight. We have to bring our tax system into the twentieth century so that it is fair to all Canadians and can be seen as being fair. We have to get governments and civil servants to understand that you cannot have an economy or a budget that is in balance when there is 9 per cent or 10 per cent unemployment. You cannot have an economy or a federal budget which is in balance when you do not know what is going on in the provinces. You cannot conceivably have a budget that is in balance when you are spending over \$32 billion on the tax side on concessions.

That is the reason we released the economic statement today and that is the reason we are opposing the government's request to borrow a further \$12 billion.

**Mr. Alex Patterson (Fraser Valley East):** Mr. Speaker, I listened with a great deal of interest to the comments made by the hon. member who just resumed his seat. I was not only shocked and amazed but also amused by some of his observations. For instance, he tried to portray an alliance of some kind—possibly philosophically—between the Liberals and the Conservatives. Of course, he has not been here too long, but if he were to look at history, I think he could not escape the