

*The Budget—Mr. Thompson*

ought to realize it now as a result of the brief presented by the Federation of Mayors and Municipalities several days ago.

The municipalities, cities and provinces face a very serious situation. The white paper and the budget by merely adopting a stand pat attitude to these problems, I submit is stark evidence that the government is avoiding its responsibilities. The effects of all this are cumulative, because it can be proven that the general economic and financial situation of the country is really much worse than we have been led to believe. I wish to point out that no matter whether the money collected is to be spent by the municipalities, the provinces or the federal government, it all comes out of the same taxpayer's pocket. While I commended the government for balancing the budget, but I submit that it is tragic to see that budget being balanced under false pretences particularly when vital areas of governmental activity are completely ignored. These considerations certainly alter the overall financial picture the government seeks to present.

So, Mr. Speaker, we are in much greater difficulties than the minister's statements relating to the budget would have us believe. The government has deliberately spoken of a policy of cutting back, of holding the line with respect to expenditures. A great deal has been made about cutting back the civil service; yet, if one examines the estimates for the coming year it can be seen that instead of the civil service being decreased, there is to be a sizeable increase in its strength. The over-all picture certainly does not indicate any cut-back, and does not support the government's claims. Besides this, the increase in government expenditures has gone forward at a rate which is much greater than the rate of productivity in this country. How can the government expect the private sector, private businesses, industry and labour to hold down prices and wages as requested by the Prices and Incomes Commission when the government itself does not do what it requests of others.

Last year's increase in government expenditures over the figures relating to 1968 was 11 per cent. For this year the rate of increase has been decreased but the government will spend about 9.5 per cent more than last year; but this rate of increase is still considerably above the rate the government has asked labour and business to observe in suggested guidelines. If the government were really serious about coping with the problem of

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inflation, which the Minister of Finance has said is the most important problem facing us and which the Prime Minister tells us almost every week is the basic problem he faces at the present time, it would limit its increase in expenditures to 5 per cent or less over those of last year rather than 9 per cent plus. I submit that the real culprit in inflation is not increased profits, is not increased wages or salaries, although certain wage increases have been much higher than our productivity would warrant, but is instead government expenditure.

While exhorting other sectors of the economy to keep expenditures down, the government has increased its spending at a rate nearly double that which is deemed desirable for other sectors. On top of that the white paper, which is supposed to be a statement of government policy related to tax reform, offers no encouragement. Government policies, as evident from the budget, show that nothing is being done to correct the inequities in our taxation system. I submit that adjustments must be brought about which will affect not only the revenues of the federal government but those of other levels of government as well.

For instance, it is clear that nothing has been done to alleviate the condition of the poor. In these days when the cost of living is increasing ever more rapidly, those at the low end of the income scale who are the hardest hit ought to have been helped first. But the budget does nothing for those people. Instead, it loads burdens on to the middle income people. They are already carrying a heavy tax burden. If the tax load on private business is to be increased as the white paper suggests, private business may not be able to survive. Even this year many private businesses have had to or will close their doors.

• (3:40 p.m.)

Not only is this true so far as the people on the middle level of the income scale are concerned, but it also destroys the incentives necessary to explore and develop our own resources, which are our great wealth and future potential. Consequently, instead of productivity growth increasing in order to make the pie bigger so that all have a bigger share, as a result of government expenditures following the old pattern, the pie is still being cut up in different ways in order to make it seem bigger while in reality it is not. This is where we stand now, with a very dismal