

could be taken much more seriously. We intend to be pursuing these themes in the coming weeks as we get a chance to look in more detail at the Nielsen Report as one of the ways to reduce the Government's need for deficit financing.

● (1140)

Hon. Bob Kaplan (York Centre): Mr. Speaker, the Liberals cannot let this Bill go by without doing everything possible to bring to the attention of the Canadian people what is wrong with the policies of the Government in this area.

This Bill is to authorize the borrowing of \$22.6 billion. Of course, a borrowing Bill cannot be examined as an item alone, but with two other streams; one being the Budget in which the Government indicates how, through the tax system, it intends to raise money, and the second being the plans of the Government to reduce its spending by cut-backs in social and other programs. When you look at these three streams together, I think you can see the difference.

I hope it will not pass unnoticed by Canadians the important differences between the way in which the Liberals and the Conservatives would operate and the way in which the Conservatives are handling the responsibility they have to govern the country.

To begin with it should be recognized that we are in a period of economic growth in Canada and in the United States. While the Canadian Government today would want us to believe that it is totally the result of its own activities and policies, I think more moderate and reasonable observers would have to say it has quite a lot to do with the economic cycle in general and with international development. In any event, at a time of economic growth it is appropriate for a Government to address its deficit and to try to bring in policies to assist in managing the deficit.

We see in this Budget, in this borrowing Bill and in the announcements made about cutting back programs, that the Government is addressing the problem of bringing down the deficit. At this time, a Liberal Government, if there were a Liberal Government in power, would also have to put forth programs to address the problem of the deficit that would tend to control it. However, the way in which the Government is reducing the deficit needs to be noted. What the Government is attempting to do through the tax system is to bring in a very large tax increase.

I began by indicating that if there were a Liberal Government in office there might also be a need and a recognition of a need to increase taxes, but the kind of tax increase that is being brought in by the Government is one which could never be brought in by a Liberal Government. It is a tax increase which bears very unfairly on middle and lower-income Canadians, while at the same time it has the effect of reducing and progressively reducing the tax burden on those in the Canadian economy who are the most able to shoulder an increase.

It is as if the Minister of Finance (Mr. Wilson) had taken his philosophy of there not being enough rich people in Canada and using the tax system to assist the rich to get even richer. How else can the Government explain the across the board

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capital gains tax exemption of \$500,000 per taxpayer introduced in the previous Budget? The Minister of Finance tried to defend that measure by saying it would add to job creation, and that if it helped the rich it would also help the poor by creating more jobs.

Mr. Blenkarn: It has.

Mr. Kaplan: As our leader, the Leader of the Opposition (Mr. Turner) noted, this measure also benefits the individual who wants to sell a home in Florida or on the Riviera or who wants to sell oil paintings. The tax benefit is so broad that it almost discourages job creation by providing an incentive to the person to take advantage of a capital gains exemption. I see the Hon. Member for Mississauga South (Mr. Blenkarn) disagreeing with me, but I think he too would have to agree that that measure is more of an incentive to sell a business, if you own one, than to build one. When the statistics are available I am sure they will show that, far from creating jobs, the exemption encouraged people who could benefit from it to sell and convert their assets into less productive assets than business assets and the kind of assets that would increase the number of jobs in Canada. That is why the Liberals can say to Canadians that the tax increase introduced by the Government, however necessary a tax increase was, was not a fair one.

I want also to point to a second element of that tax increase, which was to increase the sales tax from 9 per cent to 12 per cent. Economists agree about very little, but they do agree that a sales tax is a regressive and an inflationary tax. The lower your income, the higher the proportion of your income you have to devote to consumption, to maintaining your family and yourself. Because this tax burden is on sales and is increased so dramatically, it too falls more heavily on middle and lower-income Canadians. People who want to buy a refrigerator or a washing machine, the ordinary things of life for middle and lower-income Canadians, will be more heavily taxed by the increased sales tax. An unacceptable burden is placed through the increase in sales tax from 9 per cent to 12 per cent. The tax also bears on gasoline. It has already been identified that gasoline is a commodity which is too heavily taxed in Canada. Rather than recognizing that, the Government has stepped right in and increased the burden. It may at one point in our history have been viewed as a kind of an excise tax, a tax on luxuries, but tax on gasoline cannot be viewed in any sense of the word as a luxury. Automobiles have been scaled down over the last few years so they consume much less gasoline than they used to. Even the larger automobiles consume less gasoline than they did. In Canada the automobile is mass transportation. You tend to think of mass transportation as public vehicles, buses, streetcars and subways. But that is only true for a very small minority of Canadians. For most Canadians, and for the average Canadian, an automobile is mass transportation. To increase the cost of gasoline through the sales tax increase is to increase the cost of living for average and lower income Canadians. Cars are a necessity of life for most Canadians.