Restraint of Government Expenditures

There are examples of government failures to deal with situations because it is not forced to deal with them, unless it is a case of the taxpayers refusing to pay taxes because the government just reaches further and further into their pockets. Some provincial governments have made the same mistake, though perhaps on a smaller scale: for example, state car insurance in British Columbia, Clairtone in Nova Scotia, Bricklin in New Brunswick, Churchill Forest Products in Manitoba, the Come-by-Chance refinery in Newfoundland, and of most recent memory the Olympic Games in Montreal.

We should be making use of the system of rewards and incentives which characterizes the marketplace. There must be an adequate system of rewards for those who choose to work extra hard, who save but take risks and innovate. Stifling such urges is an abuse of power and is counterproductive. Frivolous and wasteful consumption in any area should be tackled at its source. The tax system and price system are there to be used. There should be no discouragement of productivity and self-improvement. Perhaps the recent lesson learned by Mr. Bourassa of Quebec will stand out as a model to all who have been placed in positions of power to run the country a little better for the common man.

Mr. Andy Hogan (Cape Breton-East Richmond): Mr. Speaker, I should like to comment on many of the arguments raised on Bill C-19 concerning restraint of government expenditures. I was under the impression that I would have only 20 minutes, so I did not go into too much detail and look at the bill as closely as I would have liked. I want to make some general observations on much that has been said over a period covering several months about government expenditure and restraint, and apply them to some situations that are special to the Atlantic region, particularly at this time to my own constituency. In every debate on a restraint program or on the causes of inflation in our economy, the level of government expenditure is often the major target of criticism by members of the official opposition. Needless to say, it is the theme of much journalistic concern as well as being the bête noire the business community wants to attack.

I want to digress for a few moments and say that again in the House today emphasis was put on government expenditure as a percentage of the gross national product. First of all, it seems to me that members who use this comparison are not aware just how inaccurate statistics are in correlating government expenditure and the gross national product. Secondly, it has to be pointed out that the most rapid increase in the rate of government expenditure in recent years has been at the lower levels of government, namely, at the provincial and municipal level. Admittedly, this does not change the total economic picture much because all three levels of government have to be involved.

The other type of assumption that underlies so much of this which is debated among serious scholars trying to understand the cause of inflation at this time is that there is a cause and effect relationship between the level of expenditure and increases in prices, which we call inflation; that is, the kind of persistent and sustained inflation we have noticed in recent years. Many serious scholars who examine the evidence dispute this. I do not think it is fair just to take it for granted that government expenditure, whether considered in terms of federal expenditure or in terms of all three levels of government, is the villain that it is so often made out to be. The basic problem in economic terms is not so much the level of expenditure of the three governments but the rate at which these expenditures have grown, relative to the rate of growth of the gross national product, it is true. Emphasis should be put on the rate of growth rather than on the level of government expenditure.

One of the reforms I should like to see in the debates of this House is that one day be set aside each month on which a particular issue could be discussed and a member of a party in the House could do what was done, for example, by the hon. member for Windsor West (Mr. Gray) in the debate on the Speech from the Throne: he gave a very solid, worthwhile talk which any of us would have been proud to give. His basic assumption was that in the shorter and medium term, as well as in the long term, the private sector, as so many speakers about the economy assume, can really solve the problems of inflation and unemployment. I would have liked to have gotten up, and challenged him to debate the issue, say in another week, and each debater would have one helping him. It could be done in a couple of hours and would, in my opinion, improve the quality of our debate.

What the member for Windsor West was saying, and what other people are implicitly saying, and what we in this party are so much concerned about, is that Canada can reach full employment largely through growth in the private sector. History shows that the only time we have full employment in this country, whether it be defined by a statistical index of 3 per cent or 4 per cent, is in wartime, which means that governmental expenditures in the defence sector bring up the level of capacity in the economy and the level of demand on the other side of the market so that private consumption expenditures for durable goods and non-durable goods and services are affected, and at the same time there is an accelerated effect on private and business spending.

• (1650)

Gradually we had the culmination of these demands pushing against the capacity, and we were able to put together at work all kinds of human beings and obtain a full employment level. But it was only under wartime conditions that we were successful in doing that. A few times in the post-war period we have come close to it, but by and large we have never reached the goal in peacetime that was set by John Deutsch in his first Economic Council of Canada report of 3 per cent, which three years later became a goal of 4 per cent. Goodness knows what the goal is now, because while the Minister of Finance (Mr. Macdonald) is ready to put a goal on bringing down inflation, he will not mark out a goal for full employment.

The point I want to emphasize is that there is a tragic bias against government expenditures here on the part of many members and others. For example, we often hear the statement that government expenditures are unproductive. It seems that