

Income Tax Act

have said to itself, "We will have to do slightly better than we did in regard to the measure that was defeated in the House, because it is just possible that following the Liberal leadership convention we will call an election in a hurry".

I suggest that the bill presented on March 7, 1968, was not quite as inequitable or as bad as the original measure proposed by the government. That measure is essentially the one now before us. On March 7, 1968, the then minister of finance made the firm statement that this surtax would apply only to the taxation years 1968 and 1969; that is recorded at page 7394 of the *House of Commons Debates*. But the government's troubles were not yet over, because a few days later, namely March 11, the bill to which I have referred was declared out of order by Your Honour. Finally, the government had to introduce yet another bill in order to enact its proposals. That bill was presented on March 12, 1968, and the debate was led off by the then prime minister, the Right Hon. L. B. Pearson.

He made quite a lengthy speech. He defended the government's record. He attempted to point out how well the country was doing, but at the same time he indicated that some government agencies had pointed out the necessity for some measures of fiscal restraint and that the government had to watch very carefully the direction in which the economy was moving. At that time the Right Hon. L. B. Pearson quoted as authorities the Bank of Canada and the Economic Council of Canada. I hope hon. members will note that, because I will be coming back to it in a few minutes. Eventually the government got its bill through the House of Commons and it was enacted into law. As a result, the people of Canada have had to pay this surtax for the past two years.

On June 3, 1969, the Minister of Finance presented his budget in the House of Commons, during the course of which he pointed out, in dealing with the state of the economy, that one of the most important highlights detailed in the budget papers was the gathering momentum of activity toward the end of 1968 and the carrying forward of a strong advance into the current year. He pointed out that all elements of demand—consumer expenditure, capital investment, exports and total public spending—have contributed to the acceleration; that real production had turned strongly upward, unemployment was down from the previous year's figure, and so on.

The Minister of Finance was trying to make a case for the necessity of enacting measures of fiscal restraint, and he went on to reject any proposal for a tax reduction at that time. He also pointed out that one of the things the government was doing was budgeting for a surplus in the current fiscal year, and that this was to be contrasted with the deficit of some \$566 million in the previous fiscal year, 1968-69. Finally, as recorded at page 9417 of *Hansard*, the Minister of Finance said:

In making this proposal tonight, I am mindful of the implication given last October that these surtaxes would be allowed to terminate as scheduled and that this was a factor in determining the series of tax measures then introduced. It will be clear to everyone, however, that the extension of the surtaxes at this time is required for the purposes of economic stabilization, and not for budgetary revenues.

There we have on the record the reason the Minister of Finance decided to continue this surtax into 1970. When one examines the minister's rationale for continuing the surtax into 1970, it is necessary to look at the situation in our economy today. At this time we see a much different picture from the picture last June. With regard to the gross national product, which is a measure of the performance of the economy, the figures for the third quarter of 1969 show that the rate of growth is slowing down. As pointed out by the Economic Council of Canada, there is not a strong element of demand in many sectors of the economy. In fact, we do not have a demand type of pressure on the economy at the present time. The most recent unemployment figures which are available to members of the House show that for the second month in a row the seasonally adjusted rate of unemployment is more than 5 per cent. I suggest that this figure should be the cause of considerable alarm to the government and to those in positions of responsibility.

With regard to the government's anti-inflation program, I have already stated that I consider it to be a colossal flop. It is clear that the rate of price increases is continuing unabated in spite of the government's policy of fiscal and monetary restraint. The rate of price increases in Canada at the present time is in the order of $4\frac{1}{2}$ per cent annually. The Economic Council of Canada has issued a warning, having conducted an analysis of the effect of the government's policies on the performance of the economy. In discussing the problem of inflation and rising prices and the government's policies to deal with them, the Economic Council of Canada, in its Sixth