

*Income Tax*

plete removal of the sales tax on building materials, which would cost the treasury an additional \$380 million, for a total of some \$880 million.

How appropriate would it be to virtually double the budget deficit to almost \$2 billion? For an answer to that question we might refer to the judgment of the hon. member for Don Valley. On November 25, 1974, the House may recall that during the course of the budget debate the hon. member deplored the size of the deficit already proposed by the Minister of Finance. I quote from his speech at page 1649 of *Hansard*:

The Minister of Finance and his government are talking now about a budgetary deficit for next year. I suggest that this will produce more inflation. The Minister of Finance obviously does not understand the problems under which the economy is operating at the present time.

If the Minister of Finance does not understand the problems under which the economy is operating at the present time, think how much less is the understanding of the hon. member for York-Simcoe. What is the basis of the contention by the hon. member for York-Simcoe that we should double the budgetary deficit to inject additional stimulus into the economy? Apparently it is based on his understanding that economic forecasts for this year, being put out by responsible organizations, are alarming. As evidence, he quotes two sentences from a post-budget analysis of the economy attributed to Professor Jump and Professor Wilson of the University of Toronto's institute for quantitative analysis, anticipating that growth of the economy this year will fall far below potential.

The two sentences quoted by the hon. member are rather interesting. As it turns out, the evidence he has produced to prove that the economic outlook is alarming is taken out of context from a paper prepared for the January-February issue of the *Canadian Tax Journal*, which is not published and hence is not in the public domain for all to peruse. The authors of this study were kind enough to make a copy of it available after a partial reference was made to it by the hon. member for York-Simcoe. I leave it to the House to judge how fairly he represented their views. I quote in full from the summary of their views at the conclusion of the article:

When judged solely from the standpoint of stabilization policy, the federal budget of November, 1974, must be given high marks. The major fiscal stimulus provided will mitigate the economic slowdown that would otherwise be severe, and will limit the rise in unemployment rates to more tolerable levels. Moreover, these gains are achieved at no cost in terms of increased inflation, because of the deflationary impact of the reduction in the sales tax on building materials.

Combined with the effects of indexing—

**Mr. Lambert (Edmonton West):** Oh, boy!

**Mr. Cullen:** The hon. member for Edmonton West (Mr. Lambert) says, "Oh, boy!" However, it was his colleague who quoted from this report but, unhappily for him, only part of it. I continue quoting:

—transfer payments and income taxes, the November budget helps to ensure that the Canadian economy will continue to grow, despite the recession in the U.S. and the poor economic performance of our overseas trading partners.

While the budget provides some relief to those hurt most by inflation, and clearly does not worsen the inflation rate, inflation nevertheless remains severe over the forecast horizon. With the price deflator of gross national expenditure rising 10.6 per cent in 1975 and consumer

[Mr. Cullen.]

prices rising a bit faster, there certainly remains considerable room for improvement.

That is an honest reporting of the Statement made by the professors, not something taken on a selective basis by the hon. member for York-Simcoe.

**Mr. Turner (Ottawa-Carleton):** Hear, hear!

**Mr. Stanfield:** Filibuster.

**Mr. Cullen:** It is nice to know that the Leader of the Opposition has woken up and decided that there is a filibuster going on by his colleagues.

**Mr. Turner (Ottawa-Carleton):** Hear, hear!

**Mr. Cullen:** If we just exercised control on those gentlemen, maybe we could get to the clause by clause discussion. I would like to deal briefly with the attempt of the hon. member for York-Simcoe to portray the government as being wildly spendthrift in its expenditure of public funds. There has unquestionably been a large increase in government spending in the past few years. In part, that is due to the impact of inflation on the government's own wage and salary costs and the costs of the goods and services which it buys every year. In even greater measure it is due to the substantially increased expenditures the government has made to help offset the adverse impact of inflation on the Canadian people, such as increased old age pensions and family allowances and subsidization of a number of basic commodities such as oil and milk and beef.

While the subsidization of oil admittedly does not sit well with the western rump of the Conservative Party, I have not heard Conservatives generally voice opposition to any of these programs to help the Canadian people. In fact, hardly a day passes that one Conservative member or another is not on his feet proposing additional expenditures. On the day that the hon. member for York-Simcoe concluded his remarks in this debate and denounced the big-spending cabinet, his colleagues were particularly active.

The hon. member for Lisgar (Mr. Murta), for example, was urging the government to cough up funds to cover demurrage charges for grain at Vancouver. Immediately afterwards, his friend the hon. member for Brome-Missisquoi (Mr. Grafftey) alleged that excessive government spending is the chief factor in rising inflation, and the hon. member for Humber-St. George's-St. Barbe (Mr. Marshall) was questioning what the government was going to do about financing construction of a power transmission line from Gull Island, in Labrador, to Newfoundland. He was followed by the hon. member for York-Sunbury (Mr. Howie) who urged the government to subsidize the expansion of regional air services in the Atlantic region. Then the hon. member for St. John's East (Mr. McGrath) wanted to extend the freight rate freeze, which of course would only serve to increase the subsidies the government must pay the railways. Then the hon. member for Esquimalt-Saanich (Mr. Munro) was suggesting there should be no taxes for those over 65. To be fair to the hon. member, one of his points did not get into his speech. He did not indicate that this should apply to all people over 65. I think he would have put a ceiling at somewhere