

deductions under the Income Tax Act will open the floodgates to additional government spending. It will obviate the necessity of government to come before this House to face the fact courageously that they may from time to time require additional revenues to cover what has in the past been massive waste and extravagance.

It is interesting that the very course they would take would be quite contrary to the provisions of an intended piece of legislation passed by the United States Congress, introduced by Jack Kemp and William Roth. If I may, I will read from a brief commentary related to the legislation which they introduced. I quote:

Under current tax law, personal income tax rates are continuously rising because inflation is permitted to push all workers, savers and investors into higher tax brackets. This incentive-robbing combination of inflation and steeply progressive tax rates—known as “bracket creep” or government’s “inflation dividend”—is the greatest single cause of declining productivity, declining growth, and chronic budget deficits in the past 15 years.

The real problem in this country that gives rise to the need to make the changes that confront us in Bill C-3 is the prospect of continued growth in the number of Canadians unemployed. Rather than take steps which will deal with the cause, the government has, in its traditional patchwork form, endeavoured to deal with but a symptom, making it easier to conceal the fact that there is a tax imposed upon Canadians who are working and Canadians who are supplying work in Canada.

Investment responds to incentive. Business, I submit, the employer of labour and the creator of the jobs that are required, in order to minimize the demands upon the Unemployment Insurance Act—so called—requires a form of incentive. It is the same incentive as I spoke of in regard to the difference between those who, as employees, are prepared to work and contribute, and those who voluntarily choose not to, and that incentive must surely flow from the retention of more of what is produced, the retention of more of what is earned. This can happen only in the event the government introduces a plan designed to reduce the tax grab in this country. But instead of endeavouring to persuade business that Canada has a stable future and a government known for its determination to curb waste and excess, we are confronted with Bill C-30 which provides among other things for the borrowing of some \$12 billion by the administration. When I say “among other things”, I would include, as the most damaging of all, the provision entitling the government to go abroad to borrow whatever funds are required.

● (2030)

It was not long ago that the same government went abroad. They went to Germany and borrowed \$825 million. They went to Japan and borrowed \$500 million. They went to the United States and borrowed \$1.5 billion. Then they wondered why our dollar came under attack. Ultimately it became necessary to pay interest on the loans which had been taken out and the prospect of repayment confronted investors who might otherwise have been examining favourably the total cash flow in and out of our country. We are stuck with the loans which

Unemployment Insurance Act

have been taken out in the past, and when those loans are ultimately paid off it will be to the detriment of the exchange rate on the Canadian dollar. We will once again go into the market exchanging Canadian currency for German marks, Japanese yen, and United States dollars, and that will have the unfortunate effect upon the value of our dollar which will immediately prompt the Bank of Canada in its traditional fashion to demand higher interest rates in Canada so as to attract investment to this country. The vicious circle in which we find ourselves is never-ending.

The government has proposed in this bill to do the worst conceivable thing it could for the long-term benefit of the country. This has traditionally been the policy of the government which confronts us now. I say “confronts”, because it is something over which we on this side, unfortunately, have little control. Hopefully, given time, they may be persuaded, if they listen enough, to realize the damage they are doing not only to Canadians of today but to those of tomorrow as well. It is uncomfortable for business to recognize that this year disclosed a deficit of \$14 billion plus. We have failed to come to grips with the reality of this kind of news, coupled with the certainty, almost, that the deficit will, as it has in the past, exceed the expectation of government. It shows mismanagement, inability to cope with the revenue-raising and expenditure functions of government. Stability and certainty are essential if business is to expand and develop.

If business does not expand and develop, I suppose the only way the government can hope to cope with unemployment, so that the payments made under the act confronting us this evening may be reduced, would be to hire the jobless as public servants. I know that the payroll of the public service on an annual basis is in the amount of some \$8.6 billion. I wonder how long the public will tolerate the increments which are constantly being made. We saw one example a short time ago. It showed an increase of 26.6 per cent from 1979 to 1980 in salaries paid to the lowest group in the Post Office, inside workers, at a cost to the taxpayers of some \$36 million a year. That did not in any way abate the inflationary pressures which will grow from wage settlements of that nature.

When I originally realized that the threatened strike would not materialize I am sure that, like many others, I was gratified to find that business would once again be able to rely on the postal services and that employees of businesses might continue to be gainfully employed. But it is not that simple. We have set in motion once again, as in the past, an inflationary spiral motivated directly, approved and encouraged by government.

The ill of inflation which has a direct bearing on the way this country can perform, the hazards of excessive government expenditures, the remarkable inability of the government to deal concretely and decisively with energy policies, have the effect of driving from our nation those who by their enterprise in the past would be prepared to provide employment for today and for the future. The government has demonstrated clearly that it is incapable of dealing with any of the problems which confront the country.