

*The Budget—Mr. Crosbie*

we see that the precise drafting of these income tax amendments affecting life insurance and charitable foundations are delayed. On and on it goes, Mr. Speaker—uncertainty. The people who have money to invest, foreign and domestic, will not invest it while all this uncertainty remains. No one can estimate the damage that this uncertainty is doing to Canada.

I tell you, Mr. Speaker, that this country is in the middle of a full-blown financial crisis. Long-term debt markets are all gone, no one will lend money long term. There is a crisis of confidence. Both the stock market and the bond market are in great trouble. Yet instead of encouraging a new high level of savings by encouraging, for example, the RRSPs, the government has done the opposite and is going to borrow two and a half times what it said it was going to borrow. At the same time it is doing nothing to encourage savings.

The financial requirements of the government as a percentage of our GNP have reached the highest in our history. With this uncertainty and with the condition of some of our major companies such as Dome Petroleum, to which the government had to give a \$100 million guarantee several days ago because it is on the verge of going under as a result of this government's energy policy and its own impetuosity urged on by the government, anything can happen in the markets. If there is an emergency, a fire, you do not discuss it for three or four months, you do not consult with the person whose home is burning down; you hand them a bucket of water immediately. Our financial markets are burning down and the government wants to spend from now until the end of September discussing what is to be done during the emergency. It is just the opposite of what is needed.

This whole budget document is riddled with deception. But one of the worst pieces of deception is the deindexing of income tax which the government has now engaged in. That was instituted by Mr. John Turner in his budget of February, 1973 and he adopted the principle which was suggested by Mr. Bob Stanfield. At the time Mr. Turner brought in indexation the inflation rate was 7.5 per cent. Today it is 11.8 per cent, more than 4 per cent higher, so people are suffering far more from inflation today than they were in the days that John Turner brought in this reform which was suggested and urged on him by Mr. Stanfield. He said in his speech:

I am deeply concerned about inflation and the effect that inflation has on a tax system which is based on a progressive rate schedule. I therefore propose to take steps now to provide a lasting solution to this problem should inflation continue.

Well, it certainly has continued under this government. He then went on to say:

—an increase in a person's income may be real or simply the result of inflation. Put another way, if a man gets a five per cent raise in salary, but the cost of living has also increased 5 per cent, he has the same real purchasing power he had before, and nothing more. Yet, the progressive tax system can leave him worse off than he was before because he has entered a higher tax bracket. What I want to do is eliminate that unfair and unintended result from our tax system.

If it was unfair in 1973, it is even more unfair now in 1982 with inflation far worse than it was then. But this Minister of Finance is now going to go back to unfairness; he is going to cap the indexing of income tax to 6 per cent this year and 5 per cent the year after. Mr. Turner went on to say:

The indexing of rates and exemptions will produce a tax liability which will no longer erode a person's purchasing power as a result of inflation interacting with the progressive tax system. A person will no longer pay tax at a higher marginal rate simply because inflation swept him up into a higher tax bracket. For a person on a fixed income the result of indexing would be to reduce his taxes each year if prices rise.

That is all now going to be reversed. He went on to say:

—this new system will be recognized everywhere as a bold and sensitive response to a rather fundamental tax problem.

Well, the boldness and insensitivity are not recognized by the present Minister of Finance and the government of which he is part. Here is this very bold and sensitive reform which the government is now reversing just at a time, Mr. Speaker, when President Reagan and the United States of America are adopting the indexing of the income tax system. It is also a fact that the effect of this move is going to be felt most by those on lower incomes. They will suffer the largest percentage increase in tax. Next year the government is going to take \$1,300,000,000 more from Canadians in income tax than this year because of deindexation. Of course, it is also going to make those who receive family allowances and old age pensions suffer.

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This is the start of the doing away with deindexing. Why is this so? Because the government is unable to control its spending. The government is forced to deindex because it is unable to control its spending. In the year the Prime Minister came to power, the total spending of the Canadian government was less than the budget deficit this year of \$20 billion. Canada's total spending in 1968-69 when this profligate wastrel Prime Minister took over was less than the deficit this year because of the government's inability or unwillingness to control its spending. Now the government is going to take it out on the ordinary person.

Has the government indexed energy prices? My friends to the left have mentioned that the government has not done that. Energy prices will rise far beyond 6 per cent this year and 5 per cent next year. Has the government deindexed energy taxes—the petroleum compensation charge, the Canadian ownership charge and all of the other indirect taxes? The government is collecting \$8 billion more in indirect taxes from the Canadian people this year than it did last year. Has the government reduced those taxes? No, the government has not. The government has not reduced anything. It has not deindexed anything. The government has deindexed the only benefits people receive.

Now let me talk about unemployment insurance. The minister in his usual devious way does not tell us that by the beginning of the next calendar year he will have a huge deficit increase in the UIC fund. This year it is \$5.6 billion. There will be a projected deficit of something like \$2.2 billion according to the minister's documents. When the government sets the rates at the end of this year for 1983, there will be a huge increase in the rates to be paid by the employer and by