

*The Budget—Mr. Lewis*

Carter report, giving reasons for doing so which make clear that the government accepts, *holus-bolus*, the objections of the vested interests which are threatened by the search in the report for equity and justice.

Given the choice between the present unjust and inequitable tax system and a radically new tax system which would lift the unfair burden from the backs of ordinary Canadians and place it where it belongs, on the backs of the rich and powerful, the government deliberately has chosen to stay with the unjust and inequitable tax system. That is the characteristic of this budget.

The minister says that he is trying to fight inflation. I suggest to him that his budget may well do the opposite in the short run; and in the longer run it will cost hundreds of millions of dollars in lost production through increased unemployment, and millions of dollars in lost revenues to the treasury. It is obvious surely that the present inflationary pressures are not due to excess demand, except perhaps in the field of housing. As the economists put it, the present inflation is a cost-push inflation and not a demand-pull type. To reduce aggregate demand through personal income taxes cannot affect the situation—certainly, it cannot affect it in the short run—except adversely.

I have little doubt that the added taxes, which fall mainly on the working people of this country, will spur some of them to make higher wage demands; at least the tax will make it much harder to restrain them. This will add to the cost-push situation and will not improve it. I cannot imagine that the minister and the government are unaware of these elementary facts. Why did they, then, impose these unfair, unnecessary and dangerous income taxes? I appreciate that the increase is not very large; but it is significant and important.

I can find only three possible explanations for the government's action in this respect. First, I have had the distinct impression, in four budgets, that the minister uses the income tax as a severe teacher uses the cane, to teach the people a lesson. Whether an income tax rise is economically or socially sound, it is good for the soul, says the minister. It will teach the people not to want too much—too much, that is to say, according to the gospel of the powerful in the land, which he accepts.

Second, the government and the minister hope, apparently, to persuade the professional money lenders that the minister can be relied on to be cautious, conservative and,

above all, tough on the right people—not, God forbid, on the financial institutions or other large corporations. They may confidently expect only sympathetic consideration. So, hopes the minister, they will surely be persuaded to take up large government issues and reissues which must be floated in 1968.

• (4:30 p.m.)

The third reason for this added income tax is that in the long run the budget looks forward to an increase in unemployment to cure inflationary pressures. The minister admitted as much when he said that his policies might "limit somewhat the increase in our production next year." This is a careful way of admitting that he fully expects more unemployment next year. At all events, he later told us that he does not expect the present rate of employment to be increased except to an extent about in proportion to the growth of our labour force. This is certainly an admission that the minister does not expect the present unemployment rate to fall. I say that the present level of unemployment is already too high to be complacent about; it is 4.7 per cent of the labour force nationally, and substantially more than that in the Atlantic provinces and certain other parts of Canada.

Furthermore, if the rate of growth of the economy slows down as the minister expects, admits and desires, unemployment is bound to increase. Indeed all the major indicators now show a levelling off or a slowing down of the economy. This, therefore is the explicit and implicit objective of the budget—a deliberate and calculated increase in unemployment. What an objective. And what a budget.

I know that this kind of policy has been tried before and it has been tried elsewhere. It has never worked, and we of the New Democratic party reject as ineffective and cruel a policy of deliberately creating unemployment. It is ineffective because of its cost in terms of loss of production and in the cost of welfare. It is cruel because of its social and human cost right across the country.

The minister says he needs additional revenues. In one sense it is doubtful whether at the turn-down of the cycle, when economic activity is levelling off or slowing down, it is wise to increase taxes at all and seek to reduce the deficit. That our economy is slowing down, the minister himself admitted when he said:

The result of these recent changes in the sustaining forces in the economy has been a slowing down in the rate of growth of production, a slight downturn in total employment and a rise last month in