

The Budget

"There will be no new taxes in this budget", said the Minister of Finance. Does this government really think that Canadians can be made to believe that the GST which is becoming more properly known as the gouge and squeeze tax is not an inherent part of this proposed budget? All provincial governments have complained about this proposed tax measure. This government has responded by passing to the provinces the burden of greater expenditures to maintain their social programs at current levels. The provincial governments therefore face the unpleasant task of having to increase their own taxes. This is the second set of evidence of this government's hypocrisy.

Parenthetically, this government has in the last six years introduced an average of five different tax increases per year, now a total of 32 tax increases over this period of time.

The third piece of evidence for lack of candour on the part of this government is reflected in the action it took last December when it withdrew its promise to reduce the tax rate for middle income Canadians. On top of this the surtax was increased from 3 per cent to 5 per cent.

There are many more signs of this government's lack of candour. Due to the time constraints allotted to me, I can only discuss one more piece of evidence and it is very relevant to the question asked by my colleague from the government side to my colleague who just spoke before me.

The Tory government has portrayed the impact of our national public debt as though it entails the same burdens and dangers as the debts of private individuals and business companies, of provincial and municipal governments, and of a host of Third World developing countries.

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The total national debt is not essentially the same as these other debts. Professor Ruben C. Bellan, an Emeritus Professor of Economics writing for *Policy Options*, issue of January-February, 1990, reminded us that only one of the categories of obligations comprising the total national debt truly corresponds to the types of debt I have alluded to above.

What are the facts? In 1988 the government paid the Bank of Canada \$2.110 billion as interest on bonds it held. The bank, after taking into account its operating expenses for the year, handed over \$1.938 billion back to

the government. The government did not point out that it got back 92 per cent in revenue of the interest paid by the Bank of Canada.

The government also failed to point out that it collected a lot of revenue from the same Canadian public to whom it paid billions of dollars in interest on the bonds that Canadian taxpayers hold. They are not necessarily wealthy Canadians. A significant number of ordinary Canadians like to save with Canada Savings Bonds.

The Minister of Finance said:

This year alone interest payments will cost us close to \$40 billion, equal to \$1,500 for each and every Canadian.

The minister failed to advise us that a significant component of this debt paid was returned to the government as revenues through the Bank of Canada or as taxes collected from Canadian bond holders. He failed to advise us that the government paid interest to non-Canadian residents on only 16 per cent of bonds denominated in Canadian dollars and that the debt owing to non-residents in 1988 which was payable in foreign currencies was only 4 per cent of the total national debt. Failure on the part of this government to fully disclose all essential financial information and analyses is tantamount to misleading the Canadian public, that is, that the total payment on interest are debts paid without corresponding government revenues.

In other words, the government magnified the fear in the belief that we could buy this budget even if it is a budgetary policy sans sensitivity and heart.

This government has used the absolute magnitude of the total national debt as an excuse to sell this heartless budget, invoking that ultimately we would not be able to pursue our social policies and programs.

As Professor Bellan points out, if one looks at the facts they contradict frequently made statements that the consequences of federal budget deficits are completely negative, "that they are responsible for high interest rates and inflation, that the government's borrowing to finance them 'crowds out' private borrowers from the country's capital markets."

The financial and fiscal history of Canada in recent times does not corroborate the assumptions of this government. The series of large deficits that has occurred since 1981 has been accompanied by a reduction in the Canadian rates of interest and inflation rate, and