

Income Tax

The Deputy Chairman: The hon. member for Cape Breton-East Richmond.

Mr. Hogan: Mr. Chairman, as I understand this clause, it is concerned with the 1974 floor of \$150 and ceiling of \$550, and the 1975 floor of \$200 and ceiling of \$750. I want to ask the minister why he does not at this time grant deeper tax cuts, in view of the fact that the tax cuts that were suggested by him in the November budget, and which we are debating in this clause, are now too small in view of the increased unemployment since the November budget. The current rate of unemployment, unadjusted, is 8.6 per cent and the next set of figures from Statistics Canada will probably show an unemployment rate of 9 per cent, unadjusted, and close to 7 percent adjusted. This means that the recession facing the Canadian people will probably be the most severe of all the post-war recessions, even including the one in 1958.

We, of course, recognize that with the current rate of inflation in Canada running at about 12 per cent, this makes the problem all the more difficult; but the Minister of Finance has time and again disavowed the Liberal policy of 1971 which saw the deliberate creation of unemployment to correct the increase in price levels. He says that he does not want this to occur again and this is why the budget, from an expenditure point of view and with the tax reductions, is considered by him to be a stimulus. But surely he should see that in the changing economic situation the stimulus, especially in terms of the tax cuts, is too moderate if he really wants to avoid unemployment figures of 9 per cent, unadjusted, or 7 per cent adjusted.

Why does the minister not come in at this time with a higher minimum tax reduction and a lower maximum tax reduction? Would he not agree that would be a better way to put needed income into the lower and middle income groups? Was that not his idea in giving tax cuts in the first place, that is, to give more, proportionately, to the lower income groups who in the parlance of the economists have a higher marginal propensity to consume? This would result in a greater multiplier effect on income and output in the economy.

It seems strange that this budget puts so much stress on saving and that some opposition members are putting so much emphasis on it in the hope that it will turn into fruitful investment. The fact is that when you have unemployment levels as they are now, and growing, there is a great deal of undercapacity in the economy, and in the short run too much savings would increase the slowdown in the economy at lower employment output and income levels.

We need emphasis on production, as the minister has so often said, and we need it more now to compensate for the growing unemployment. If more income is made available to the lower income classes, then the multiplier effect will ultimately mean that business firms increasing their sales will invest more in inventories and ultimately in real capital goods. That will increase the employment of people and thus increase output and income. The minister knows that his November forecast of the creation of 225,000 jobs in 1975, as against the 390,000 created in 1974, was based on the assumption of a 4 per cent real growth rate. But the minister knows very clearly now that there is going to be no 4 per cent increase and he will do damn well if the

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economy grows, in real terms, at 1 per cent or 2 per cent at the most.

● (1250)

I want to ask the minister, as of this date in February, rather than the date of the November budget, how many new jobs he is forecasting. Is the minister now prepared to acknowledge that unemployment in Canada is growing faster than he anticipated in November, or is this a repetition of a "planned unemployment" policy to fight inflation? Is he waiting for the United States government to correct our unemployment problems for us?

The minister has been saying that he does not want to amend this clause until he sees whether the American policies are going to work, or until he sees how the tax cuts presently proposed will affect our economy. But is this not also an admission that he is prepared to see an increase of unemployment occur in the next several months and for the rest of the year in this country? Indeed, is this not "planned unemployment" by the minister? Surely he knows that even when the tax bills get past the American congress, it will be at least six months before they will show their effects on that economy because of time and technical lags.

If the minister were truly concerned for the unemployed, would he not take steps to cut taxes more deeply, to offer rebates, increase personal tax exemptions and reduce the tax liability of the working poor of this country? By refusing to do this, coupled with a refusal to offer an adequate guaranteed annual income, is he not just reinforcing the tendency toward unequal distribution of income in this country? In a society with incomes unequally distributed, as they are in Canada, it is important that any generalized tax cut be given to those whose propensity to consume means that the purchasing power is put back into the economy, otherwise it will be stored away in savings, and we must remember that personal savings grew last year by almost 8 per cent. While failing to give adequate tax cuts to the lower income groups, he adds to the inequality in income distribution and defeats the goals of a tax reduction designed to bolster a sagging economy.

The minister seems to be accepting the notion that unemployment is not as painful now as it was in the past because of such things as unemployment insurance. Newspapermen often make this point and say that we have in Canada an unemployment insurance scheme second to none. It is true that our unemployment insurance plan has improved, and we are grateful to the minister presently in charge of the postal services for his fight on behalf of the unemployed in this connection, but I believe the benefits now being paid to the unemployed both in France and in Germany are a vast improvement on those available under our own scheme.

Relatively speaking, when a person is unemployed, even with unemployment insurance he or she is still falling behind in their standard of living. There are others who argue that because unemployment affects women workers and more youthful members of the labour force to a larger extent than the primary breadwinner, this decreases the severity of being unemployed. But is it not clear that today it is family income that counts, and that we do a