• (1520)

I will be pointing out in a few minutes the specific impact of the tax measures on individual Canadians in different economic circumstances. The principle need of small business has been, and will continue to be, increased spending by consumers. Last year the Government removed $2 billion from the economy through an increase in Unemployment Insurance premiums. The partial deindexation of personal income tax removed a further $1 billion, for a total reduction in the pruchasing power of the economy of $3 billion. Nothing in this budget makes up for that and much in the measures of last night add to the reduction in consumer spending. This is important because, I repeat, growing spending by consumers is the most immediate need of the small business sector. We would be supporting measures that served to put dollars in the hands of consumers, especially those out of work or that eased the cash flow problems of small business. Unfortunately, the Minister has given us nothing to support.

I said earlier that the durability of the recovery is in doubt because of the net effect of the budget. We lament the fact that there is no possibility of reducing the deficit below $25 billion anywhere in the foreseeable future on the basis of the budget. I am not raising the question here about how high in the short term the deficit should go or how much stimulus the Minister should have provided. We can deal with that in Question Period and later in the debate. However, I have argued that more of that stimulus should be geared to consumers who are in financial straits and businesses whose financial problems render them incapable of taking advantage of the investment incentives offered. That includes, of course, members of the agricultural community.

My concern is with the fact that with 26.1 per cent of the Gross National Product accounted for by Government expenditures, much of it in the form of permanent national debt, those effects will be felt in the form of choking off the recovery just as soon as it begins to bloom.

Sustained recovery in the long term and a more vigorous growth rate in the short term are both based on perceived and real lower interest rates. That recovery is threatened by a Government reaching deep into the pockets of Canadians through massive tax increases just when the benefits of business investment should begin to be felt.

In short, we face the real possibility of a deficit crowding out the very private sector incentives the budget creates, resulting in higher interest rates and increasing inflation, coming at precisely the time that massive tax increases will either wipe out Canadians' purchasing power further or create new cash flow pressures for business.

The House can only conclude that the Minister of Finance has ignored future consequences of his fiscal plan in the interest of his short term political survival. There is no apparent link between his fiscal policy and a monetary policy that will be of major significance in maintaining confidence throughout the rebuilding phase of the recovery.

We cannot hope to prevent a rise in interest rates and inflation on the basis of last night's deficit projections, and even that deficit is predicated on a real growth rate of 4½ per cent in four consecutive years, which is unbelievably unrealistic given the circumstances he describes in his budget.

There is another casualty of the Government's preoccupation with political survival. The country is beginning to lose count of the number of times the 1981 MacEachen budget has been wheeled to the operating room for surgery. That budget proposed to raise $1.7 billion in revenue through additional taxes from business. This budget is giving back about one-third of that revenue in new tax incentives. In the interim, corporate profits and finances have been in far too many cases wiped out.

We in our Party agree with some of the incentives. We applaud those because we recommended them. However, at best the Minister is only partially restoring the damage of 1981. For example, instead of bringing back the full capital cost allowance and repealing the 12½ per cent tax on dividends—in effect restoring a known and effective tax system—he adds new, complex tax incentives that will have about one-third the value of those his predecessor did away with. That is the cost of another round of surgery on the universally discredited 1981 budget.

An additional cost of the deficit is the potential and real impact eventually on the social programs that Canadians have built up over the years. We simply may not be able to afford them in years to come or to make the adjustments to them free of cost pressures with this kind of pressure constraining every fiscal decision we make in the years ahead.

That prospect is not just a textbook theory. The very size of a $32 billion deficit is frightening. For instance, a $30 billion deficit is more than the total Government spending on health and education in the last fiscal year by all levels of Government. It is higher than total Government spending as recently as 1974-1975, which is nine years ago. Old age pensioners could be getting four times the monthly payments they are currently receiving. It is $3,120 per taxpayer. That $32 billion is enough to triple unemployment payments for one year. It is equal to the equalization payments to the have-not Provinces for five years.

Instead of real job creation and deficit control, the budget provides for net future tax increases totalling $5.7 billion over the next four years and deficits totalling more than $102 billion between now and 1986-87. That is why we question the Minister's ability to deliver a recovery under those terms. In 1984 alone, taxes which primarily affect individuals will rise by about $380 million. Let me give some examples. These are the kinds of taxes that affect most Canadians in average circumstances.

While the child care deduction has been doubled to $2,000 per child with an $8,000 maximum, the claim from now on will have to be made by the spouse with the lower income. This may then create problems for working wives who have unemployed husbands or husbands who are still in school. That does not seem to us to be fair.

Furthermore, the Child Tax Credit will be maintained at $343 for 1983 instead of decreasing to $326 as would have happened had the six and five restraint program been applied. The cost to the taxpayer comes because there will be no indexing of the threshold amount over which the credit is