

Family Allowances

on both sides of the ledger. We are making forecasts for five years ahead of time with all sorts of estimates, but we do not go into every aspect of every program. That would be a waste of time. We deal in bigger figures than that, trying to analyse what would be the growth of the economy and so on. In fact, for the first time in Canadian history, last February for the first ministers' conference I tried to make a planning program for five years ahead. Sometimes that comes back to me because we have set a pattern of growth that would be the ideal for the country that we are not achieving at this time. It was done in order to have a model against which to measure performance, so I am ahead of other nations.

Mr. Stevens: Mr. Chairman, one thing we know that this government and this minister are not ahead on, and that is performance. He has just admitted he is finding it hard to live up to his target of only a few months ago.

Mr. Chrétien: Mr. Chairman, I should like to reply to that comment. The hon. member's party has acquired a new member for Ottawa Centre who is supposed to be challenging the hon. member for the position he occupies. But the hon. member for Ottawa Centre predicted, on a very neutral basis, not in order to boost the party in power, a 5 cent growth. He was obviously not a friend of ours. Of course there is fluctuation in the pattern of growth, but to the chagrin of the hon. member opposite last month he realized we were quite close to target and forecast a surplus in trade.

Mr. Stevens: The minister is overlooking the fact that when my colleague made the 5 per cent prediction he made it in the context of responsible government, but the fact is that we have not had the leadership to achieve a 5 per cent rate of growth. The 5 per cent rate of growth minimum in Canada is not a totally unachievable target. There is no reason why we could not achieve it if we had better government.

What disturbs me about this bill is the lack of planning with regard to expenditures and revenues. One of the problems this government is now living with—and I think the minister might agree—is that Ministers have indexed the revenue sources available to them. They have indexed many of their expenditure programs and are now in the difficult position of having expenditures indexed to inflation, revenue indexed to inflation, so the revenue is levelling out and expenditures are going up. The result is a \$12 billion deficit. That is exactly what this bill is going to put in place.

We reduced the \$20 family allowance and the minister says that gave us a \$690 million reduction in expenditures, but then it is indexed again. The only year we gained the \$690 million reduction in expenditures is one year.

Miss Bégin: No; wrong.

Mr. Stevens: Surely the minister understands that on a \$20 basis the expenditure that is said to be saved in reducing the family allowance from \$28 to \$20 is again indexed next year. What I am saying is that when you have the expenditure side indexed and you have the tax credit indexed, it means there

[Mr. Chrétien.]

will be an error, increasing loss of revenue, tax revenue, yet an ever expanding expenditure on family allowances. I am saying that if we carry on with the 8 per cent inflation this government has inflicted upon us, once indexing takes hold, the \$20 family allowance goes up \$1.60, and the \$200 tax credit under the same 8 per cent calculation goes up \$16.

The dilemma we are faced with in the country is that loss of revenue and rising expenditures in the years ahead—not speaking of this year—are going to widen that much more with every family allowance going up \$1.60 per month, with every tax credit going down, as far as revenue is concerned, by \$16. If either minister could respond to that I would be very interested to hear their answer.

● (1622)

Mr. Chrétien: Mr. Chairman, we can have a long argument about that. In the process by reducing the basic payments that we were making to all families, rich and poor, we have saved a total of \$690 million. We have reduced the base from \$25.85 this year, which was supposed to increase to \$28.80 next year. That has been reduced and has resulted in a saving of \$690 million. This saving will be forever because the indexing will be based on a lower base, that is the programs henceforth will be parallel. I do not say there will not be a few dollars here and there, but the principles are such that the program is self-financing, even more with the diminution of children. Relatively speaking it will probably be less expensive in terms of loss of revenues to the government in future years.

Mr. Stevens: Mr. Chairman, the minister has a staff of three, and he has more staff within calling distance all waiting to work their calculators. I would ask the minister to take a static situation, the same number of children, do not worry about income increases, and tell us what fiscal 1981 will look like, assuming we have 8 per cent inflation for indexing purposes. I believe, if I judged correctly from the minister's response, that the consequence of what I have described as indexing on the tax credit side and indexing on the family allowance side has not been driven home to him yet. Sure, he can say that they have a national expenditure saving of \$690 million by reducing the family allowance amount from \$25 to \$20. But unless the minister makes it very clear to this House that if inflation continues there is a \$1.60 extra per \$20 payment in the following fiscal year—

Miss Bégin: Per month.

Mr. Stevens: Per month, fine. Any way you want. In other words—

The Deputy Chairman: Order, please. I regret to inform the hon. member that his allotted time has expired. We will recognize him later.

Mr. Stevens: Maybe I have consent to carry on.

The Deputy Chairman: Order, please. The hon. member's allotted 20 minutes have expired. I recognize the hon. member for South Western Nova.