

Income Tax

deficit, in a period of peacetime, a time of relative world stability in the economy, is an indication that we are almost approaching wartime deficits.

It is true, according to some estimates I have seen, that we would be borrowing something like \$25 billion a year if we were borrowing amounts comparable to those borrowed in the war years in the forties, but then it was recognized that the war would end one way or the other shortly and that borrowing was a necessity to preserve the country from external forces.

There is no sign of this massive government expenditure being curtailed. We cannot suddenly terminate transfer payments to the disadvantaged, to old age pensioners, the funding of health and welfare programs and education programs. We are already talking about huge amounts required to meet educational expansion and are asking the provinces to institute second language training, which will cost hundreds of millions of dollars and create an entirely new situation for our schools.

During the budget speech of his predecessor, the hon. member for Rosedale (Mr. Macdonald), the then minister suggested we would increase economic growth by 5 per cent. With the new cuts of some \$600 million in income tax and \$100 million in tax credits and other stimuli, nearly \$1 billion in all, the present Minister of Finance cannot hope to achieve 5 per cent growth next year. Although the amount of the tax cuts, \$700 million, is substantial, it amounts to only \$100 for the typical married taxpayer earning between \$9,000 and \$16,000 per annum. Making it applicable in January and February means, presumably, that the Minister of Finance is looking for some kind of psychological impact and is trying to tell Canadians they are being too pessimistic.

As for wage and price controls, the minister has gone back on the promise of his predecessors to protect the real wages of workers by adjusting the anti-inflation guidelines to 6 per cent. That is to say, the guidelines remain at 6 per cent although inflation will likely be much higher than that. When the government set up the Anti-Inflation Board it said it would allow for increases in the real wages of workers. In order to do this the Minister should have allowed the ceiling to be 8 per cent, not 6 per cent.

Or does the government really want to bow out of inflation controls? This is an indication that the minister is paying lip service to the removal of controls and that he really very much wants them to continue. By choosing April 14 as the date for beginning the phase out period, he will sweep into the controls program for the whole year a large number of companies with an April 1 year end, coinciding with the end of the income tax year, as well as large unions, such as the inside postal workers and the railway workers.

All of us wonder whether the mini-budget is going to work. It certainly reflects the great uncertainty in our economy, and I wonder whether the approximately \$1 billion stimulus which the finance minister has announced will be sufficient. Perhaps controls have the most significant effect on our economy, but since the controls were implemented nothing has been done to change the structure of the Canadian economy. The govern-

[Mr. Ritchie.]

ment said it would gradually reduce controls, but it has done nothing to make sure that the same sequence of events will not occur again. If the government runs into the same sequence of events as occurred between 1973 and 1975, with rising prices followed by large wage increases, it must remember the lesson that it should have learned over the past few years, namely, that controls can hold down wages but have practically no effect on prices.

While in the long run there may be a connection between lower rates of wage increases and lower rates of price increases, wage settlements in the past year have dropped but inflation has increased. Yet the government continues to claim, in face of its own statistics, that controls have effectively restrained prices and given workers a bigger increase in real income. This really does not hold true.

As for the government's figures, the switch in economic priorities from inflation fighting of a year ago to unemployment fighting today is an interesting one. A year ago inflation was running at an annual rate of 6.2 per cent. The government said inflation was the most important obstacle to real growth. Inflation is now running at 8.4 per cent, yet unemployment has been labelled the most serious obstacle to economic growth. According to the 1976 throne speech, inflation was a destructive force which took jobs and incomes from workers, robbed the elderly, impeded the flow of capital, and obstructed the fight against poverty. But this year the villain is unemployment. It deprives Canadians, so says the throne speech, of the dignity of self-supporting work. It supposedly loads them with an unfair burden of worry and uncertainty which is unjust and intolerable.

Last year's all out attack on inflation has now been replaced by vague statements in the throne speech to the effect that the government, in stimulative actions, will not shrink from its objective of continuing to reduce inflation. Will Canada's 800,000 unemployed go the same way as the inflation fighters of the last throne speech? The fight to "reduce" inflation in Canada has resulted in an increase in inflation from 6.2 per cent to 8.4 per cent. The additional employment opportunities promised turned out to be 200,000 jobs, only about half the number needed to ensure growth of the labour force.

Last year the government promised to keep the rate of growth of the public service below one per cent and to see what could be turned over to private enterprise in order to reduce the size of government. The latest Statistics Canada figures show that the federal government has 580,000 employees, 2.4 per cent more than it had a year ago. I have not heard of the government turning anything over to private enterprise, but it has created three new enterprises, Petro-Canada, de Havilland Aircraft of Canada, and Canadair. So much for the government keeping its promise not to increase the public service and to turn over certain operations to private enterprise.

We now have some idea of what the government has in store for us. It is organizing under, wonder of wonders, Michael Pitfield, the DM-5. This sounds like a cell in the FLQ or the secret service. The government has finally decided that the economy is in some sort of disarray and the bureaucrats are