

Income Tax Act

final supplementaries will be. Other ministries are having to put staff out on the street, but the Prime Minister's office has become the haven for high-priced help.

We are being asked to continue this 3 per cent surcharge next year. Let us not forget all of this fancy doubletalk in the white paper on taxation, which incorporates this surcharge in a new standard charge. No longer will it be a surcharge. What was supposed to be a temporary measure, subsequently further lengthened, will become permanent. The Canadian public is fed to the teeth with taxation and super-taxation, which is what this measure is proposing.

I would have thought that hon. members opposite who have some concern for our economy would be aware that last year 37 per cent of the gross national product was taken by the public sector. By that I mean the federal government, the provinces and the municipalities. Within five years their share will rise to 41 per cent of the gross national product. I have it on good authority, from studies made by persons far more competent than any of us in this House, that in order to get this 4 per cent increase in the share of the gross national product that is taken by the public sector, 45 per cent of the gross national product will have to be taken.

This is frightful to contemplate. Quite apart from inflationary factors, within five years the public sector will take 45 cents of every additional dollar of goods and services produced in this country. Is this an incentive to the Canadian economy? The reason the white paper is bereft of all incentive is that it contains philosophies such as that represented in the principle of this bill, which seeks to continue the surcharge.

I have no hesitation whatever in opposing this measure. Therefore I move that:

All the words after "that" be struck out and there be substituted the following:

Bill C-139 be not now read a second time but be read six months from this date.

● (4:50 p.m.)

Mr. John Burton (Regina East): Mr. Speaker, in my view Bill C-139 to extend the 3 per cent surtax for another year demonstrates the bareness and sterility of the Government's approach to economic affairs and the management of the nation's economy. It demonstrates in my view, as nothing else can, the incapacity and the inability of the Government to manage public finances and the nation's economic affairs.

This bill was first announced in the budget speech on June 3. At that time the Minister of Finance (Mr. Benson) made it clear that the purpose of extending the 3 per cent tax was not for revenue but for economic stabilization. He stated, as recorded at page 9417 of *Hansard* for June 3:

It will be clear to everyone, however, that the extension of the surtaxes at this time is required for the purposes of economic stabilization, and not for budgetary revenues.

The Government failed to have this bill brought before the House at that time. It chose to debate the rules instead. Now, the situation has changed since six months have elapsed from the time the government first proposed this measure. Last June, the budget speech of the Minister of Finance listed a number of factors which led to the government's decision to extend the surtax. The economy was demonstrating a strong performance in his view and on the basis of his analysis prices in Canada were continuing to climb. In addition, there were strong international pressures. That situation no longer prevails. The gross national product is now growing at a slower rate, consumer demand is slackening, unemployment is rising and the government's anti-inflation campaign has now proven to be a colossal flop.

Unemployment is now at a seasonally adjusted rate of more than five per cent and will likely rise to seven per cent or eight per cent before spring. Prices are still rising at an annual average rate of almost 4½ per cent. The government's budgetary surplus rose to almost \$850 million by the end of October in respect of the 1969-70 fiscal year. Furthermore, the continuation of this tax is simply a perpetuation and extension of an unjust tax system. The white paper on taxation admitted that the present system is unjust. The time to start tax reform is now, not some day in the future.

The Government's willingness to extend and continue the present tax system, and its unwillingness to introduce some of the obvious benefits of its tax proposals, is not a good portent of things to come. The government's reluctance can only mean that it is prepared to see its white paper proposals further butchered before they take effect. This can only mean that the lower and middle income tax groups in Canada will be hurt still more.

There is still another reason the government may want to continue to surtax into 1970. The hon. member for York South (Mr. Lewis), when he spoke on the resolution to