

Taxation

identified some of the measures and convinced their minister to propose their elimination in his recent budget. It was an aroused opposition and an aroused Canadian public that forced the Minister of Finance (Mr. MacEachen) to change his mind on some of these proposals, and we witnessed the spectacle of his public retreat. We are now witnessing a very significant delay by the minister on some of the other measures which are repugnant to a large number of Canadians.

I have recognized the philosophy reflected in the budget papers, and I believe that my colleagues in all political parties are becoming aware of it. A large number of letters from my constituents, and constituents of all Members of Parliament, have protested these changes and advocated, as I have tonight, a better way to go. I do try to learn from the past, and one of the lessons I learned long ago when I was growing up in New Brunswick, and one I think the minister should consider, is that while the wheels of justice may grind slowly, they grind exceedingly fine. Abraham Lincoln said you can't bring about private prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. I hope my message tonight will be seen as a constructive attempt to suggest ways in which the government, by developing our country, can create more taxpayers and thus increase our revenues, reduce our borrowing both in the short and the long term, and eliminate the serious impediment to national growth represented by its high interest rate policy. I have tried to make constructive proposals to move in the direction of attaining that goal.

I hope also that the mandarins will get the message very clearly that this member, and hopefully this Parliament, will not permit the inclusion of imputed rent in any future tax policies or erosion of the noble and important concept that Canadians should be encouraged to provide for themselves and their dependants in so far as they are able, and that the state will treat them with generosity and respect in that worth-while endeavour, and not discourage them with a retrograde tax philosophy.

Mr. Paul E. McRae (Thunder Bay-Atikokan): Mr. Speaker, I have spoken on budget bills, particularly borrowing bills, many times in the House and I do not recall, in the nearly ten years I have been here, a borrowing bill on which there were two Conservative speakers in a row who really did not condemn us very strongly for borrowing money. It strikes me as being a very strange phenomenon, and I think perhaps the reason for it is that the money the government is seeking to borrow in the next fiscal year is considerably less than the authority given for the last fiscal year. In the last fiscal year we had authority to borrow something in the order of \$14 billion, and of course it must be understood that the authority does not mean you borrow that much. It looks as if we will have borrowed about \$12 billion of the \$14 billion. This year the authority allows for about \$6.6 billion, and given the \$2 billion left over, we will be borrowing something less than \$9 billion. That is the anticipation. So we can see that the

borrowing authority in this bill is for about \$5 billion less than last year.

Now I think it is fitting that we periodically have borrowing bills in the House. Usually it is once a year, but it has been more often when the government requires supplementary borrowing. This, of course, is in contrast with the United States where Congress puts an absolute limit on the national debt and the government can borrow up to that limit. In Canada, when we have to borrow additional sums, the government has to come to Parliament for approval. I think that is a worth-while activity and gives us a chance to debate how the money is spent, the merits or demerits of deficits and their size.

I think I would like to deal with two problems which are usually raised by more conservative speakers with regard to government indebtedness, expenditures and so on. The first, of course, is that government spending is wasteful. It is throwing money away and has a negative impact on the economy. The other is that almost all inflation stems from government spending. Those are the two myths which cloud the conservative mind.

First, I would like to deal with the nature of government spending. There are basically two areas where all governments spend their money. One is on the actual operations of government itself. In Canada, this accounts for roughly one third of all federal government expenditures, going for such things as the post office, national defence, and so on. The vast majority, two thirds of government expenditures, is in the area of what would be called transfers. These are transfers to the people in the form of pensions, family allowances, welfare and so forth. These are transfers to the provinces which, in turn, transfer the money to people and also pay their own costs of operation. They are transfers in terms of paying off debts, again to people. I think we should clearly understand the difference between those kinds of expenditures because it is the first expenditure, the cost of operating the government, that actually takes away from the economy of the country. It is the expenditure which takes goods and services out of the economy which could be used, otherwise.

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The second category, the transfers, are moneys which are taken from one pocket and put into another pocket, with no net loss in between. The net costs are the costs of providing the service, and that is included in the first category. I think it is good that we understand this and that we look at these two kinds of expenditures.

I would first like to look at the transfer side, because it is a side which provides two thirds of the expenditures of the federal government.

I would particularly like to deal with one very current aspect, and that is the aspect of the transfers to the provinces and, in turn, to the municipalities. This is an area I think we should really consider. The transfers to the provinces in the year 1981-82 will amount to a little over \$13 billion. Also, the transfer of tax points, which was done in the last few years, adds up to something a little over \$18 billion. That is, almost