

*The Budget—Mr. Saltzman*

Apart from considering taxation on a fair basis, Carter also pointed out that increasingly capital in this country is being seriously misallocated. We shall not obtain maximum advantage from our resources as long as there are inequities in our tax system. The so-called just society has introduced a social development income tax with a ceiling of \$120. Let me say in no uncertain terms that this tax is a regressive tax that will fall most heavily on those who are now paying to the maximum of their ability.

● (5:40 p.m.)

This 2 per cent social development tax—and I must congratulate the minister on his coining of euphemisms—is in fact considerably more than the 5 per cent surcharge on personal income tax budgeted by the Pearson government in November. The difference is that the government's new tax will be levied on taxable income, which is much greater than the basic tax on which the 5 per cent surcharge was to fall.

Only the rich are better off. The ceiling for their social development payments is \$120. Under the proposed surcharge it would have been \$600. The setting of an upper limit on the impact of the 2 per cent tax means that the small wage earner will be proportionately much harder hit than those earning \$10,000 and upward. In addition, the lid for any taxpayer, whether he earns \$10,000 a year or ten times that amount, is the same. And because the 2 per cent tax has a special name and is not considered as part of the regular personal income tax, Ottawa will not have to share it with the provinces.

This is another aspect of the budget which I find most disquieting—the reaction of the federal government toward the provinces, the attitude of “I’m all right, Jake; you take care of yourself.” It is an attempt to pass the buck, to avoid responsibility, and to say: We shall be all right; our revenues are increasing faster than our commitments for the future and we shall come out smelling of roses when we are ready for an election, and the provinces will not. In a country which is concerned about national unity and about reaching an agreement acceptable as between one part of the nation and another, the arrogance of this government must stand as a roadblock to the achievement of national unity.

The details of the budget show clearly that the new Liberal government—perhaps we should call it the old Liberal government because nothing much seems to have

changed—under its new leader—again, perhaps we should say its old leader because nothing much seems to have changed—has re-established the tradition of reaction and conservatism in economic policy, and this after only four months in office.

I am unhappy about what the speaker who preceded me said but I recognize the difficulty and delicacy of his position. Appreciating his problems, I congratulate him on his speech today. This budget and the present government are so conservative and so orthodox that it is extremely difficult for members of the official opposition to do very much about it.

In the course of the budget speech the Minister of Finance said:

Canada is in a period of widespread prosperity but with troubling problems of inflation and regional unemployment.

I say to the minister: how fatuous can you get? The hon. gentleman has little cause for self-congratulation on the performance of the Canadian economy. In relation to its potential the economy is in trouble. We are experiencing the highest unemployment rate in five years and the figure threatens to go even higher. A news story in the *Toronto Star* on October 1 under the headline “Employment Outlook Dim For Late 1968” contained the following:

Employment prospects across Canada for the fourth quarter are not as bright as a year ago, reports manpower services latest survey.

In the *Ottawa Citizen* of September 3 the following appeared:

Unemployment may become a more serious economic problem in Canada than inflationary pressure.

This was reported on the objective authority of the Toronto-Dominion Bank. Despite the indications of the danger of unemployment, the government insists on ignoring all the signs. The economy is not expanding rapidly enough to take care of new entrants into the labour market. The Economic Council of Canada puts it this way in the council's fifth annual review. I quote from page 183:

By contrast with the previous six years, the expansion of employment opportunities since early in 1966 has not been rapid enough to fully absorb the marked increase in the labour force. The rate of growth and demand in employment moderated after the spring of 1966 and unemployment rose from a level of about 3½ per cent of the labour force to 4½ per cent in the fall of 1967, after allowance for seasonal factors. Subsequently, it ranged narrowly around this figure for a time, then moved above 5 per cent in mid-1968, partly reflecting sharply changed conditions in the summer market for students.