

Oral Questions

Mr. MacEachen: The hon. gentleman says that "probability" was my word. I want to assure the House that it was not my word. I was asked by a newspaper reporter from *Le Devoir* whether I was considering the removal of indexation as a possible revenue measure. After he had brought to my attention the statistics which the hon. gentleman obligingly provided in his budget papers, showing that over the years there had been a revenue loss of some \$5 billion to \$8 billion as a result of indexation, what I said to the newspaper reporter was that, yes, that was one of the possibilities, side by side with other revenue measures which had to be considered in preparing the budget. That was the beginning, and that is the situation at the present time. It is a matter that obviously will be considered.

I understand the hon. gentleman himself stated that he had considered it at one time, and maybe he would permit me to do the same thing.

Mr. Crosbie: Madam Speaker, I made it very clear that I considered and rejected the removal of indexing in the income tax system. It was rejected.

I remind the minister that his deputy minister of finance, Mr. Stewart, in addressing a Senate committee on May 27 said that the forecast of last December was now going to be exceeded, so the likelihood is a rate in excess of 11 per cent. In view of these alarming figures, will the minister now tell this House that he is no longer considering the de-indexation of the personal income tax system, that he is not going to take advantage of the inflation that the government is permitting in this way, and that it is ruled out even though the Liberal member for Mercier has stated in the 74-page policy document of the Liberal party "that Canadians are undertaxed compared with people in many countries"? Even though Liberal members of Parliament believe they are undertaxed, will he rule out indexing and attacking lower income taxpayers in that manner?

● (1120)

Mr. MacEachen: Madam Speaker, obviously the hon. gentleman himself agreed with the analysis that Canadians were undertaxed, in view of the massive tax increase which was contained in his December budget.

Some hon. Members: Hear, hear!

Mr. MacEachen: Otherwise he would not have levied such very heavy taxes. I do not complain about the necessity for additional revenues. I believe that if we in this country are to make any progress in reducing the deficit, and if we are going to introduce any additional necessary programs, there may be a requirement for additional revenues. I have never concealed that.

The hon. member says that he considered de-indexation and had rejected it. I presume that he declared his rejection after he had prepared his budget, not before, and I will await the budget before finalizing my opinion on revenue sources.

Mr. Crosbie: Madam Speaker, the minister is the only person in the House who is like Wynken, Blynken and Nod all at the same time: he can do it all together. The specific question he has been asked is whether he would now tell the Canadian public that he will no longer contemplate the de-indexation of the personal income tax system. That is the question.

Let me remind the minister that in the election campaign leading up to February 18, the Prime Minister and the people who campaigned with him never once mentioned to the Canadian people that they are undertaxed. They said they were being overtaxed. They never mentioned there was any need for government revenues being increased. So will the minister now confirm to the House that they will stick to their pre-election position and there will be no taxation increases, and that indexing is ruled out for now and forever as long as this government is in power?

Mr. MacEachen: Madam Speaker, the hon. member is creating, for his own purposes, a fictitious Liberal platform.

Some hon. Members: Oh, oh!

Mr. MacEachen: I happen to have been chairman of that platform committee and I know what was said with respect to taxation and new programs. For example, we said that if we were to introduce the guaranteed income supplement, we would bring in new taxes. The Prime Minister stated in the campaign that he would likely secure those taxes from the corporate sector. That is exactly what happened. But there was no pledge that there would be no tax increases under a new Liberal government.

Some hon. Members: Oh, oh!

An hon. Member: Another flip-flop.

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FINANCE**PRIME INTEREST RATE OF CHARTERED BANKS**

Hon. Sinclair Stevens (York-Peel): Madam Speaker, my question is for the Minister of Finance. Has he noted that the shares of the Royal Bank set a 1980 high yesterday, and that John Mitchell of Greenshields attributes the strength to lower interest rates, which he predicts will increase the bank's domestic profit by as much as 40 per cent in the fiscal year 1981 if present interest levels are maintained, raising profit to more than \$10 a share in fiscal year 1981 compared with \$7.40 a share in the current year?

If the minister is aware of that, is he also aware of the fact that the Royal Bank last lowered its prime interest rate one month ago today, when it went down to 13.75 per cent, and notwithstanding the bank rate having now gone down to 11.29 per cent as compared to the then 14.17 per cent, the Royal Bank prime rate has not come down nor have the prime rates of the other major banks?