

ly, it is the thesis which suggests the problems are so horrendous that no solution is possible; that if there were a possible solution, then the geniuses in the Liberal cabinet would have discovered it and would have expressed it in the throne speech. That is the school of thought articulated by W. A. Wilson, among others. It is simply hogwash, because there are solutions to the problems—excellent solutions.

Part of the solution to the difficulties within the manufacturing sector was expressed earlier this afternoon by a member supporting the government. All that is required is some leadership from the government and from the Prime Minister and the cabinet to examine the variety of approaches and different solutions available to these problems and to select those which are best, given the circumstances. All that is needed is that that kind of leadership be given, that an intention be declared to pursue certain courses of action, to present them in the throne speech and then to submit them for debate here in the House. That is the kind of leadership that is desperately needed today, because at the basis of all the complaints, frustrations and difficulties which exist in the economy is a real desire for leadership and for a sense of direction. Canadians would like to know that somebody is in charge, that somebody is concerned, that somebody is taking action to try to get this country turned around. There is no evidence of that in this government. If it is not to come from the federal government, pray tell us where is it to come from?

● (1632)

Possible solutions to the economic problems of this country and avenues for government action have been articulated by my leader. They will be articulated by other hon. members speaking on behalf of the Progressive Conservative party. They have been articulated by scores of business writers in the nation's media, and by experts within various economic organizations. This morning's *Ottawa Today* contains a column by Carol Goar which gives the advice of several recognized experts, economists in Canada, in terms of action the federal government should be taking. There is ample advice, if the government would simply assume its responsibility and heed it.

Another cause of our weak economic position is government spending. In this regard, I think the Prime Minister has at least partially recognized that the spending of his government is at the root of the problems the economy of Canada is facing today. At page 33 of *Hansard* for Wednesday, October 19, the Prime Minister is reported to have said:

If it is true that our present malaise comes from living beyond our means as a nation, the remedy should be rather simple. It should be to live within our means. Here, again, I am saying that to live within our means as a nation we must produce more if we want to continue to consume as much. I know that our government and other governments in Canada have made the mistake, as I said earlier, of trying to give too much to the Canadian people by way of social benefits, without Canadians being prepared to pay for them in terms of slowing the increase in their real gains.

As I indicated, that is a partial admission of the fact that the spending habits of this government over the last decade are very much at the root of the problems this country is facing today. The Prime Minister went on to say that his President of the Treasury Board (Mr. Andras) has grasped the seriousness

of the situation and is trying to deal with it. Well, there is precious little evidence to indicate that that is the case.

I think it is worth while—and I would like to ask the indulgence of the House to do this—to deal in some detail with the question of government spending, why we have reached the level of spending we have reached today, of some \$45 billion per annum, and what can be done and should be done in order to change this situation. We must reduce the tremendous take of government from the people of Canada and leave within the pockets of Canadian taxpayers more of the money they earn, so that they might pursue the activities which are necessary to get the economy rolling again.

It has to be admitted that there are tremendous pressures on governments to spend. There is no question that governments are under constant pressure from this group and that group, and from this region and that region to spend more and more. However, that is the price of leadership. Governments must resist and make reasonable decisions in the face of these pressures. That is what governments are supposed to do. While I admit that there are those pressures on governments, I also submit that it is the responsibility of government to deal with them and not to submit to them automatically.

The second reason is that the revenue-producing system used in Canada has a high degree of elasticity built into it. There is an automatic increase in government take as the economy grows, even though there is no increase in taxes. The government take increases faster than the economy as a whole, so the government is in such a position that if the economy grows, its revenues grow at a much faster rate; therefore, it has additional revenues which it can, and does, spend.

A third very important reason that government spending has increased is inflation itself. Here I do not restrict myself to talking about the increased cost of the services and products governments must buy; I refer to the increased revenues which accrue to governments as a result of inflation. Governments have a vested interest in inflation. In fact, given today's taxation structure, if the economy were to increase by zero per cent in terms of real growth, but inflation were to increase by 10 per cent, government revenues would increase by 16 per cent.

Governments get an automatic, real increase in revenue from taxes taken from our pockets as a result of inflation, without any growth in the economy at all. That could, and should, be changed. That inflationary factor should be removed from the total taxation system. Governments have a right, a need and an obligation to tax, but it should be a real tax which is out in the open and imposed with the knowledge of the people. We should not have the sneaky kind of taxation which governments impose as a result of inflation.

It must be admitted that it is politically easier to spend than to save or be thrifty—and this government is well known for its willingness to take the politically easier path. In looking at his career or at his political credentials, each minister likes to point to the great, multi-billion dollar programs he has introduced during his reign in whatever department. That is a