Anti-Inflation Act

In Bermuda, we take the view that it is the government's function to make legislation that provides the right climate for the private sector, consistent with the needs of society—it should protect both the individual and the environment.

I ask the House to compare that simple statement with the attitude and performance of the government opposite. It has certainly not provided the right climate for the private sector and it has tried to interfere to overcome the resulting shortcomings of the private sector to no avail. The government has not protected the individual, who is falling further and further behind as a result of its policies and, as we hear almost daily in the House, it certainly is not protecting the environment.

● (1602)

These are some things Bermuda does, and I quote the words of the premier:

The right balance between freedom and control—that's how we in Bermuda see our system of government and the country's approach to economic affairs. Essentially, the Bermuda Formula boils down to a system of free enterprise, supported by the right combination of flexible controls and a minimum of legislation.

When the premier says flexible controls, he does not mean the type of controls the government opposite imposed. There are certain other things which have to be controlled in order to preserve the mood and the nature of Bermuda. For instance, ownership of cars is rigidly controlled. When there are only a few miles of two-lane road, cars cannot be allowed to block it up. Workers in Bermuda are protected, and development and construction are carefully supervised. I am sure Canadian industry thinks it has had enough of that.

I will not go through the whole list, but one or two at the end might interest some Canadians. In Bermuda there are no advertising billboards and no car rentals. However, nowhere in the Bermuda Formula, as it is called, is there anything like the government intervention in business or in the economy we know here. Bermuda has a very simple and straightforward tax system, namely, and I quote the premier's remarks again:

There's no income tax in Bermuda, nor a profits tax, nor a capital gains tax. The bulk of our revenue comes from customs duties . . .

This suggestion has been made by me previously in this House, and some have said that it would be a retrogressive step. However, I note that the same exemptions I suggested are allowed by the government of Bermuda. Those cover basic foods like meat, fresh fruit and vegetables. It is possible to exempt the essentials of life from duties of all kinds and still achieve a certain balance. I do not think I should dwell any longer on Bermuda or other countries. We have enough problems here.

We on this side of the House are often asked what we would propose in order to solve the problems which the government seems to be unable to solve. I would like to mention a few proposals which come to my mind. I am not in any way attempting to write our program for the next election or to commit my leader or my colleagues, but some of these ideas have been talked about, and I like them.

Tax cuts would stimulate the economy. The government might say it has cut taxes, but its own advisers have said that those cuts were not enough and were not made soon enough.

[Mr. Clarke.]

As all Canadians are going to find out when they fill out their income tax forms in April, the provinces are going to take away the $2 billion tax reduction the Minister of Finance allowed, because in negotiations between the federal and provincial governments the formula was changed. I recommend that Canadians not spend the money the minister has given us because the provinces will take a good portion of it.

In British Columbia the tax rate for 1976 was 31.5 per cent. The rate for 1977 is 46 per cent, an increase of nearly 50 per cent. I do not think we can anticipate any great stimulation as a result of the gift from the Minister of Finance.

Is a massive tax cut inflationary? I have to say no. I hope I have illustrated that the speed at which the economy turns around is not what creates inflation; it is the speed at which the government spends, and overspends, taxpayers' dollars. If a massive tax cut is not inflationary, why do we not allow it? The government says that if it did, it could not balance the budget. It says that if it cuts taxes to the extent needed to get the economy going again, there will not be enough revenue to balance the budget, and there will be greater deficits. There is a response to that, and to illustrate I will cite the example of what happened in the United States. In the mid-1950s there was what was then a massive tax reduction of some $11 billion. At the end of that particular year when revenues were totalled, it was found that the whole $11 billion was recovered in increased revenues. There was no budget deficit created as a result of giving that money back to the people. If that seems like a strange equation, let me put it in a slightly different way.

At the moment 800,000 people in Canada are unemployed. Each of them is drawing an average of $6,000 out of the treasury. These people make no contribution to the federal treasury because their incomes are too small. They are taking out all the time. If we can get things going again and if the private sector is given the opportunity to provide jobs, which it can do, those unemployed Canadians will have the opportunity to become workers and taxpayers instead of remaining a drain on the economy.

I suppose we cannot eliminate unemployment altogether, but let us suppose we could cut unemployment insurance payments by $3 billion by putting people to work. The payments amount to over $4 billion, so that would be a cut of about 75 per cent. I am sure the private sector is capable of putting those people to work if there is demand. If we are talking about a tax cut of about $3 billion, we can see that there is the possibility of having things in balance again. I know this is an oversimplification, but in a debate such as this it is only possible to leave the details for another time. After all, we are talking about policy. Instead of saying that what we have done is the best we can do, we should be doing more.

I have already talked about the inflationary aspects of government spending. The government should consider cutting its expenditures. We on this side are always asked what we would cut and are accused of criticizing the government when it does, but if we could get inflation under control, the added expenditures as a result of indexing would not be necessary.