

Borrowing Authority Act

Consumer and Corporate Affairs (Mr. Ouellet) is not here because this year I will expect him to discipline more effectively the advertising agency which tries to sell these bonds; some of the promotion which has gone on in the past would put any other person advertising in like fashion in jail.

Be that as it may, the effect of the government's handling of Canada Savings Bonds has been that purchasers have redeemed about \$2 billion worth since the beginning of this fiscal year. In the year 1979-80 there was a total reduction in the value of Canada Savings Bonds held by the people of Canada amounting to \$1.25 billion. It may well be that, having seen how Canada Savings Bonds are managed, the people of Canada are perhaps a little smarter than some of the market people buying market bonds, and are saying to themselves: Do we really want to trust this government with our money?

Where has the debt been contracted? We are now up on treasury bills to \$18.6 billion. As of March 31, 1977, just three years ago, there was only \$8.2 billion in treasury bill debt. That is the way things have been going. The market has been able lately, perhaps, to absorb ordinary government commercial bond debt but it has not always been able to do so, and it is very possible, with the level of borrowing the government is contemplating, that we might get into a situation in which the market cannot absorb the debt. Indeed, as reported on June 25 last, the Bank of Canada disclosed that the bank had to increase its treasury bill holdings on that date by \$459.3 million. In that week alone, the government had to increase the money supply by a total of \$625 million. This was done by the bank, in effect, just printing currency.

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As we go along on this and take a look at what the Bank of Canada has to hold in government securities year over year, we find that as of the last statement from the Bank of Canada for this year the Bank of Canada holds \$2.368 billion more in government debt than it did a year ago. That situation cannot go on if we intend to have a solvent and sound currency.

The only thing that can be done somewhere along the way in order to solve our borrowing requirements and to get our house in order is to look at certain tax changes. The government has to try something else. If it is going to continue with its over-spending, it is going to have to continue with over-taxing, and so it has to look at certain other places from which to get revenue.

There are several things the government could do. It could do what was suggested in the Crosbie budget, that is, to put an excise tax on gasoline. That is a method of raising money, keeping debt down and making the consumer of gasoline or oil products pay the cost of imported oil. It could do that kind of thing. However, it promised not to do that, so it will not do that.

The government could go to the country honestly and increase the income tax, but it appears it does not intend to do that either. One of the real options it is looking at is getting rid of the indexing in the Income Tax Act. The elimination of indexing could raise money as surely as a tax increase but be

less visible. Inflation would do all the work and take all the blame. That is what the *Edmonton Journal* said on June 16, 1980, and other newspapers reported the same thing. This country knows that the only winner in inflation, if there is no indexing in the personal income tax scheme, is the government, and what a beautiful way of increasing taxes!

That is what the government intends. That is one of the reasons we insisted in committee that we receive from the Ministry of Finance a table as to what happens to the average, typical married taxpayer with two children. This year, without indexing, the taxpayer who earns \$15,000 would pay \$240 more income tax. That is nearly \$5 a week or \$20 a month. The taxpayer who earns \$25,000 would pay \$460 a year more. Some say indexing only helps the rich, but if I earned \$100,000 a year—that is four times \$25,000—I would pay only \$1,300 a year more.

To the well off indexing is not a big deal, but to the ordinary Canadian who works and pays the freight in this country, indexing means a great deal. It means at least a 10 per cent across the board tax increase for him and, indeed, more. If that is the kind of program the government is going to eliminate—whatever fairness there is in the tax system—in order to raise revenue to pay for the spending and lack of direction and concern of the government, then that program will be opposed by this party and, I am sure, by our friends in the New Democratic Party.

A number of other issues were raised in the committee. My friend, the hon. member for Broadview-Greenwood (Mr. Rae), raised the point that in many cases the provinces have a great deal of money and that their revenues, particularly those of the western provinces, are burgeoning. Three of our western provinces now have heritage funds. They do not even need all their revenue, yet equalization continues to be paid to the province of Saskatchewan. I only single out that province because it can afford a heritage fund, but it can also get equalization because nothing has been done with respect to bringing that problem into perspective.

Back in the thirties there was a great depression on the prairies, and hon. members will recall that we passed the Prairie Farm Rehabilitation Act. I wonder if the prairies will ever be rehabilitated. When a person is put away for life, he normally is paroled after 25 years; but it has been 45 years since this act has been in place, and we are still spending gobs of money on rehabilitating the prairies. We are spending some \$30 million to \$35 million a year under that program, most of it going to Saskatchewan but a good part going to Alberta as well.

That is the kind of thing I wonder about when we have a government here which is short of cash, which has to go out on to the market to borrow and which strains the financial resources of the country. Some provincial governments have a lot of wealth, and I wonder why the federal government does not come along and say, "Let us rearrange some of the responsibilities and things which are happening".

I mentioned in committee the question of the Canada Mortgage and Housing Corporation. That corporation lost