

Income Tax

● (1632)

As I mentioned during my speech in the throne speech debate, we are competing against the very tough competition of the United States, particularly the southern states. I understand our immediate neighbour, New York state, is in a serious position as well. If I can use the term, their industries are being raided by industries in the south which are offering very attractive bonuses. Some of these facts we must assume, rather than have them supported with proof. We are also aware of the fact that these industries do not contribute to the same social benefits provided in Canada for our people—benefits paid for by contributions from both employees and employers through unemployment insurance, workmen's compensation, and so on.

I hope something can be done to save these very necessary jobs and to help offset the imbalance of the auto pact. I understand there is a \$1 billion deficit in this regard, and I heard it suggested in the news media not long ago that if the present projection continues in the future, the \$1 billion will increase to as high as \$2 billion.

I wonder whether the Minister of Finance—or, indeed, the government—is aware of the fact that by the end of this year Canadians will have experienced four years of inflation at a rate higher than 7 per cent. Although ministers of finance are notorious for their incredible lack of grasp of economic affairs, even they must be aware that Canadians have suffered unduly in the past decade. They have seen three years of unemployment at a rate higher than 7 per cent, four years with an economic growth below our 5 per cent growth potential, three years of trade deficits higher than \$4 billion, and five years during which federal budget deficits have steadily increased.

The Minister of Finance has indicated that Canadians may have to face a lower standard of living. This will not be the result of a lack of hard work or initiative on the part of Canadians who are now told they will have to discipline themselves. The writing is on the wall. The Liberal government, through its incompetence, has lowered the living standard expectation of Canadians. The minister predicts a 6 per cent inflation rate for next year. I suggest it will be nothing short of a miracle if there is only a 6 per cent inflation rate in 1978. Indeed, that is probably what the Liberals are praying for, because on the basis of their past record they certainly will not attain such a rate by themselves. I am sure inflation will exceed 8 per cent this year. I do not say that because I am pessimistic by nature but, rather, because the government across the floor has forced me to be that way. The government has also forced Canadians to be pessimistic. In 1976 the inflation rate was 6.2 per cent, and it is now over 8 per cent. This government, by allowing inflation and everything else, with the exception of wages and expectations, to rise has demonstrated its incredible incompetence.

As to the minister's personal income tax cuts to lower and middle-income taxpayers, the benefits are not great. They will amount to \$1.92 a week. That is of little comfort to Canadians who face soaring prices, or to those who face the prospect of joining the burgeoning ranks of the unemployed. This govern-

[Mr. Darling.]

ment has stifled the economy. The word "deficit" seems to be a catch-all for Liberal actions during the last decade. If there had to be one word used in summation of the past nine or ten years, that would be it. We have a federal deficit, a trade deficit, a deficit in tourism, and we have been sorry witnesses to a continuing climb in our current accounts deficit. The Liberal government is long on speeches of restraint, but short on solutions.

Let me conclude by saying I am distressed to see the state of affairs in this nation. The economy, as I have indicated, is in an intolerable mess. The effect the economy has had on national unity is undeniable. It has compounded separatist sentiments and I want the government to know that, along with most other Canadians, I hold this government responsible for the precarious position into which it has brought this great nation of ours.

The government cannot pretend any longer that the two issues, the economy and national unity, are separate and distinct. They are not distinct. The government, by its negligence in one area and its misguidance in another, has fused the issues into one and brought this country to a danger of dismantlement it has never known.

[Translation]

Mr. Eudore Allard (Rimouski): Mr. Speaker, on April 11 last, a few days only after the former Minister of Finance (Mr. Macdonald) had delivered the budget speech on March 30 last, the following could be read in a paper entitled *On Target*:

The federal budget of Mr. Macdonald will literally put some restraint on the Canadian economy during the coming year—no appreciable tax reduction, no considerable cut of government expenditures, no apparent slowdown in public building construction (indeed we note an increase), finally no realistic endeavour to cope with the constant increase in the public debt and interests and to solve the famous unemployment problem. In short, the country is experiencing a most serious financial crisis, what with growing unemployment on one hand and demoralizing inflation on the other. As for the government, we are led to believe that it does not intend to alter its course and that the friends of the government in power will continue to enjoy its favours for still another year.

● (1642)

On March 21, 1977, *Globe and Mail* editor Richard S. Malone stated, and I quote:

Canada is now running the largest foreign debt in the western world.

Our average wages in manufacturing are now the highest in the world and our exports are dropping.

We hold the world's record for hours lost per thousand workers due to labour disputes and strikes, losing five times as many man-days per thousand workers as Britain.

Average wages in Canada last year increased by 14 per cent, nearly double the rates in the United States.

Since 1972 our labour cost per unit of output has increased more than 50 per cent compared to only 20 per cent in the United States and our productivity also suffers in comparison.

Our trade deficit on manufacturing last year was \$10 billion.

Our money supply, a chief cause of inflation, was up 22.8 per cent of the annual rate last month.

Mr. Speaker, one will have to admit that we are dealing with an administration which is leading us to ponder over the coming years.