

have to maximize our benefits from megaprojects, develop our natural resources, such as forestry, fisheries and agriculture. We have to update our creaking transport system and modernize our ports so that we can move more readily into export markets.

Shrinking space availability on ships registered under flags of convenience calls for an urgent evaluation of the merits of a Canadian merchant marine.

Hand in hand with an industrial strategy to bring about the economic recovery of our nation go training programs to enable Canadians to avail themselves of these opportunities.

It was just 24 months ago that the Liberal Party was elected nationally on a platform that higher energy policies were unnecessary and that they could manage the economy better than the Clark government. Now, 60 to 80 cents a gallon later, people are beginning to recall that during the Clark government inflation remained stable, jobs were being created at the rate of 30,000 a month and that purchasing power of wages rose. Under the self-proclaimed economic miracle workers now in office we have seen 30-year record level of unemployment and inflation, a decline in real wages, the biggest tax burden since the war, the gutting of the passenger rail system and proposals to reduce the financial commitment of the Liberal government to equalization, health and post-secondary education.

One of the cruelest things about the current budget is that it penalizes Canadians who are trying to provide for their future and their families. It appears to penalize Canadians who adopt the noble and important concept of providing for the severely disruptive financial burden caused by unexpected dental or medical bills and incapacity due to illness.

It also penalizes the Canadian breadwinner who attempts to provide for himself and his dependants on retirement and after his demise. I am speaking again of the serious retrogressive step being taken by the government in taxing life insurance, dental and medical plans. In my opinion, this is a cruel and merciless tax grab that can cost the government more in social justice payments and unemployment insurance than it can hope to gain from these measures.

I do not often speculate about the future, but I do try to learn from the past. One of the things that I learned early on in Parliament was to read the budget papers that are filed with the budget. The Department of Finance analysis of the federal tax expenditures for individuals, which was tabled as one of the budget papers accompanying the November, 1981 budget, identified provisions of the tax system that in effect exclude certain types of income from tax, and the authors of the paper refer to these as tax expenditures because their economic effect makes them equivalent to spending programs.

In his budget speech of October 28, 1980, the minister noted that tax expenditures are expensive and it is incumbent on government to ensure that the incentives are effective and costs justified. In a prophetic statement, he went on to add that he wondered whether the economy might not be better

Taxation

served by a tax system with lower rates but with fewer and more selective incentives.

The paper tabled in the House describes tax expenditures as being composed of four different types. The first category includes cases where certain kinds of income are excluded. Examples are one half of capital gains, the full gain realized on the sale of principal residences, and various employment benefits, including interest free or low interest loans from employers. In this same category is included imputed rent on owner-occupied dwellings. That is right. The bureaucrats in the ivory towers of finance have identified the fact that Canadians living in the homes which they own pay no rent, and they feel that this is in fact a tax expenditure.

There are others. The second category deals with deduction tax expenditures and includes unemployment insurance contributions, tuition fees, gifts to the Crown, charitable donations, etc. Exemption tax expenditures include such things as married exemption and exemption for wholly dependent children. Tax credits tax expenditures is the final category and it includes refundable income tested child tax credits and tax credits for investment in machinery and equipment and buildings in certain sectors. I have by no means attempted to identify the very large number of tax expenditures which are discussed in the paper, but rather to attempt to identify the subject matter. Why is it important? It is important because it gives us an idea of the thinking of the senior bureaucrats in the finance department who are charged with the responsibility of making tax proposals to their minister. The November 1981 budget affected nine tax expenditures mentioned in this paper.

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The paper admits that many of the tax expenditures serve important policy objectives and do so in an effective manner. It goes on to say that while some may wish that the budget had gone further in the direction of removing tax expenditures and lowering tax rates, it has to be recognized that any changes in tax expenditures must be part of an ongoing process of evaluation and review. It takes into account the prevailing economic circumstances and the capacity of the tax system to deal with large-scale changes. The paper admits that the existence of tax expenditures is important, but it also adds that for some purposes the tax system is a legitimate tool with which to address social and economic goals. In my opinion the ownership of one's home free of imputed rent is a worth-while social goal, and so too is the attempt of Canadians to provide for their dependants through life insurance and medical and dental plans. Tax exemptions for wives and children, tax credits to encourage industries to locate and provide jobs in areas that suffer from regional disparity and exemptions for those over 65 are all measures that are worthwhile and have grown up with our tax system.

I have no quarrel with government departments studying these tax expenditures, reviewing and evaluating them. My concern is that we have to be very much aware that many of the things we value highly and have come to take for granted are being examined by many of the people who have already