

*The Budget—Mr. MacLaren*

The provincial Premiers are not the only ones to call for a new mix between fiscal and monetary policy. In its annual review, the Economic Council concluded "the current mix of monetary and fiscal policy, because of its undue reliance on monetary restraint, that is to say on interest rates, has adverse implication for the economy and especially for unemployment, regional disparities, the amount of the public debt investment levels and hence productivity". We fully agree with the council's statement. That is not the only way available to the Government to carry out its oft repeated promise to put its own fiscal house in order.

When we speak of putting the fiscal house in order, why does not the Government, for example, redirect to people some of the billions of dollars that businesses now receive through grants, subsidies and tax expenditures? Corporations receive more today through subsidies and tax expenditures than they pay in income tax. In 1987 alone businesses received almost \$9 billion in subsidies and several more billions of dollars in tax expenditures. On the other hand, businesses pay some \$11 to \$12 billion in income tax. Surely this problem could have been addressed.

Why does the Government not respect its own earlier commitment and increase the share of taxes paid by corporations, including those profitable corporations which today pay no taxes at all? The share of taxes paid by corporations has declined since the Conservative Government came to office in 1984. Some 25 years ago, corporate income taxes accounted for 20 per cent of all government revenue. This year, in spite of record profits, corporate taxes account for only 12 per cent.

As part of phase one of its so-called tax reform, the Government indicated its intention to emulate the United States and to shift more of the tax burden to corporations. However there is still no evidence that this has been the case. The Government itself forecasted that its tax measures of 1987 would add a half billion dollars in corporate tax revenue. In fact, despite strong growth in corporate profits, corporate tax revenues have on the contrary declined. Corporate tax revenues are running about 8 per cent below last year's levels.

The share of corporations has been reduced over the last few years partly through the use of losses, credits, deductions accumulated during the last recession. Account must be taken of the tax systems of other countries against which our corporations must compete. The

integrity of a self-compliance tax system is undermined when Canadians see profits of corporations going up and corporate taxes going down. The Government failed during the past four years, and again in this Budget, to address a basic fiscal problem.

Why does the Government not follow the advice of the Auditor General and improve the collection of taxes owed to the Government? The Auditor General has reported that efficiency in tax collection has so decreased over the last five years that the revenue shortfall now amounts to about one-half billion dollars. The Government has increased taxes yet again, but it cannot even collect what it is already owed. How can the Government explain that the volume of write-offs at Revenue Canada has jumped from some \$100 million in 1984-85 to more than \$600 million in 1986-87?

There are many, many other examples of government mismanagement large and small. Why, for instance, did the Government spend \$90 million of taxpayers' money on advertising in 1988 to promote its own programs, 38 per cent more than one year ago? Was the Minister of Finance not preaching restraint? Restraint, yes, but not during an election year.

Canadians did not elect a Government supposedly pledged to fiscal restraint only to find it building a new prison in the Prime Minister's constituency or, as the Auditor General reported, building roads to nowhere or paying for an extravagant energy book complete with pictures of the former Minister of Energy. Is that what the Minister of Finance means by putting the fiscal house in order? Are those the priorities of a Government that now says it cannot find the money to help finance the education of our native people?

**Some Hon. Members:** Shame, shame!

**Mr. MacLaren:** There are many ways large and small to improve government management to consolidate the revenue base of the Government which do not require the Government to cut basic programs to Canadians. If the Government had chosen some or all of these measures, we would have had a better balance today between monetary and fiscal policy. The Minister of Finance himself has estimated that an interest rate reduction of one percentage point reduces the debt charges by \$1.6 billion in the first year, rising to more than \$3 billion after four years. Yet as I have noted, his mix of spending and interest rates continues to be wrong.