

Income Tax

● (1432)

What did the Economic Council propose this year, faced as we are with almost one million people unemployed and the prospect of an increase in the unemployment rate? Let me summarize a few of the proposals made by the Economic Council. They recommend permanent personal income tax cuts of \$2 billion, which would be the equivalent of an 8 per cent to 10 per cent reduction in the personal income tax rate and would provide ongoing stimulus to consumer purchasing power equivalent to about \$200 per taxpayer per year.

In its analysis of policy options, the council applied a flat 8.3 per cent reduction of taxes across the board and a 25 per cent reduction of the rates paid by the people in the lowest income brackets. This sounds very familiar to me, Mr. Speaker, because the New Democratic Party has been proposing personal income tax cuts, particularly for people in the lower income brackets, for a number of years. According to the Economic Council, a cut of this rate would increase real growth in Canada by about one percentage point in 1978 and would reduce the unemployment rate to 7.7 per cent from the 8 per cent which would otherwise occur. I want hon. members to remember that the 8 per cent which they and others predict, or the 7.7 per cent which the council says will be the unemployment rate if we cut taxes by \$2 billion, would still leave Canada with the highest rate of unemployment of any of the western industrial countries of the world.

The \$2 billion cut in personal income taxes would be shared, \$1.3 billion by the federal government and \$700 million by the provinces. The council also believes that provincial sales taxes are an area where cuts could be made, and recommends that the provinces cut their provincial sales taxes by at least one percentage point, except on items such as gasoline, alcohol and cigarettes. A one percentage point cut would mean a tax reduction of about \$300 million on the part of the provinces, according to the council. Those are the recommendations of the Economic Council, not a very radical organization. It is a council the members of which, and also the senior staff, have been appointed by the government.

What was the reaction of the Minister of Finance to the advice that was given to him by the Economic Council? Let me read from the *Winnipeg Free Press* for November 10. I read from the *Free Press* because I would not want the minister to say he was misquoted or misinterpreted by the hon. member for Winnipeg North. This is what Paul Whitelaw, staff correspondent of the *Winnipeg Free Press*, says in an article headed "Tax cut plan irresponsible, Chrétien says":

Finance minister Jean Chrétien says the proposal by the Economic Council of Canada for \$2 billion in personal income tax cuts is irresponsible.

Chrétien told the Commons Tuesday that "to borrow another \$2 billion at this time in an attempt to buy our way out of the economic difficulties we are in would not be responsible.

It is not my belief that irresponsible action on the part of the minister of finance would be of any good to the nation."

It is obvious that the Minister of Finance has rejected the advice of the Economic Council. The acting chairman of the Economic Council, Mr. George Post, in commenting on the

[Mr. Orlikow.]

minister's mini-budget speech of October 20, has said it will barely prevent the current high unemployment rate from increasing further. The answer of the minister is that Mr. Post and the Economic Council are being irresponsible.

What the Council said, Mr. Speaker, was that without the stimulus of the kind of tax cuts they are proposing, the economy will grow by only 4.3 per cent a year over the next five years; inflation will average 7.1 per cent; unemployment will average 8.2 per cent. Even with the new tax cuts, this dismal picture will not change much. A \$2 billion income tax cut and a \$1 billion provincial sales tax cut would produce average growth of 4.7 per cent, keep inflation at 7.2 per cent and reduce unemployment to 7.6 per cent. In other words, what the council is proposing is that we trade a small increase in inflation for a drop in the unemployment rate of about 1 per cent. As I say, the minister is not prepared to take the advice of the Economic Council. We can judge what advice he is getting from people in his finance department by the action which he takes, but we cannot know precisely what they say.

However, Mr. Speaker, we do know what another of his principal advisers has recommended. The Governor of the Bank of Canada, Mr. Bouey, made a speech to the Calgary Chamber of Commerce which was reported in the *Globe and Mail* for Saturday, September 17, and I should like to summarize a couple of the points he made. He said that Canada should not attempt to solve its unemployment problem with policies that would involve any risk of a higher inflation rate. We know that the Minister of Finance and the Prime Minister are taking that advice because they still consider inflation a much more serious problem than unemployment. Mr. Bouey went on to say that the inescapable conclusion is that if we want to achieve and sustain high levels of output and high employment, we really have no alternative but to grapple with inflation and with the inflationary practices that keep it going.

That sounds very familiar, Mr. Speaker, for have we not heard the Prime Minister say that we have to wrestle inflation to the ground? Mr. Bouey went on to emphasize his belief that the persistence of high inflationary expectations in Canada is a "serious obstacle" in the way of better economic performance. He closed his address with this admonition:

Now, considerable caution must be exercised in introducing expansionary measures to stimulate output and employment for fear that such action will give fresh impetus to inflationary expectations and behaviour.

In other words, we are back to the advice of the Minister of Finance that we should not have too great expectations. Every day when I leave this chamber and return to my residence I cannot help but see the glass tower, the office building which is being completed for use by the Bank of Canada. I am told that the cost of this very modernistic and expensive building is between \$50 million and \$75 million, so I have to assume that what the Governor of the Bank of Canada is saying to the people of Canada is, "Do as I say, not as I do". That, of course, is the attitude we always have on the part of those who have toward those who have not.

Mr. Johnston: What's the heating bill going to be?