

*Family Allowances*

experience today, and I suggest inflation will increase in the immediate future.

It is important to examine the direction of government spending. Perhaps military outlays should be increased, but we must look at welfare spending which largely consists of transfer payments from one group to another. No matter how unpleasant it may be, this is the area we should look at if we are to curtail government outlays. In the past, transfer payments put a floor under purchasing power as well as caring for human needs. If transfers are made from savers to spenders on a vast scale, savings, investments, and capital formation will be destroyed. If transfers are wide-ranging, incentive to work is undermined and/or destroyed, because the people who work finally realize that their rewards are not greater than those who do not. As workers find their net take home pay reduced, their incentive to keep their jobs is reduced. In extreme cases, transfers encourage idleness.

Perhaps this is a difficult index to measure, but recent statistics of the Unemployment Insurance Commission indicate that UIC benefits have increased unemployment by approximately 1 per cent or 2 per cent. I am sure many hon. members know that a large number of people have used UIC as income maintenance rather than a true insurance feature. They were entitled to do so under Unemployment Insurance Commission regulations.

It is reassuring that we are now aware of the dangers of discouraging healthy growth of productive enterprise, on the one hand, and indiscriminate expansion of the welfare state on the other. One must remember that there are inflationary consequences: increased payroll taxes, minimum wage costs, and rising business costs. Surely these are issues which justify the control of inflation.

In 1919 Keynes wrote the following:

There is no surer way of destroying capitalism than by debauching the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

This bill contains a provision to transfer wealth from one group to another. Apparently the so-called refundable child tax credit proposition is to be socially beneficial, but in my opinion it is not as useful as it might be. Therefore I have considerable reservation that in the future we will find this refundable tax credit being the best method we had hoped for in respect of child support.

● (1602)

**Mr. Bob Rae (Broadview):** Mr. Speaker, I want to begin my remarks by agreeing with my colleague in the class of '78, the hon. member for Rosedale (Mr. Crombie), that the introduction of this bill allows us the opportunity to review some of the problems and philosophies underlying legislation regarding social welfare and economic maintenance. I think it is important for us to do so. It seems to me we are frequently in the position of adding on a piece of legislation, or changing a piece of legislation, from time to time without fully realizing the

implications of what we are doing, or what precisely are the problems we are trying to solve.

I was interested last night to hear the hon. member say he was going to be speaking today about two nations. Because I knew he was referring to Disraeli and not Mr. Daniel Johnson or someone else when referring to that subject, I took the opportunity this morning to go to the library and look up Disraeli's biography by Sir Robert Blake. According to that book, Disraeli was asked at the end of his life which of the two nations he belonged to, and his answer was that he was not of either nation; he was on the side of the angels. I might say that the hon. member for Rosedale demonstrated in his speech today that he too is on the side of the angels, because in his very eloquent remarks, and I take nothing away from them, concerning the condition of many of our fellow Canadians, he was a little short, if I may say, on hard measures that will have to be taken to deal with the problems these people face, but was very long on description.

**Mr. Hnatyshyn:** He didn't say anything about your maiden speech.

**Mr. Rae:** He was a little short on remedies. In reply to the hon. member who interjected, let me say that he did.

**Mr. Hnatyshyn:** I did not comment on your speech, but I will now.

**Mr. Rae:** I might also add that it seems to me it is important to realize that the position of our party in respect of welfare, problems of poverty, and income distribution, is significantly different from those of the other two parties. It seems to me that our differences stem from the very simple fact that what we are looking at here is an economic system which creates poverty, which creates deprivation, and which creates inequality, and haphazard attempts by the government in response to social pressures over the past 40 years to alleviate some of the harshest inequalities that our economic system creates.

It was the minister last night who said as the minister who is responsible for bringing an end to poverty in Canada, she was delighted to bring in this measure. The difference between our party and the other two parties, realizing as we do that it is the economic policy which is at the heart of solving the problem of income distribution, and not welfare policy, is that we realize it is not economic measures that will have to solve the problems of income distribution. These problems will not be solved by a simple band-aid approach to those people who are suffering as the result of the inequities and injustices of our economic system.

It seems to me it is very important and necessary for members to realize, and in the speeches we have heard from both sides of the House this has been forgotten, that poverty is not something that strikes out of mid-air; it is not a haphazard event, but something that strikes at the people who are unable to compete in the economic market place which puts a premium on power, which puts a premium on ability, and which puts a premium on productivity and one's ability as an individual to be a good economic commodity. That is the hard, ruthless