

British North America Act

Finance. I ask hon. members to read this evidence. It bears about as much relationship to this present plan as does the present plan to the first one that was brought before the house. Mr. Mitchell Sharp gave evidence as follows:

The fundamental characteristic of a "pay as you go" system is that those who are working pay the cost of providing pensions for those who have retired. The financing of a "pay as you go" system is a matter of distributing the current cost of pensions over the population in what is considered to be a proper way. In other words, it is essentially a revenue problem, even though the scheme may be "contributory" in the sense that it is paid for in whole or in part by a special levy or contribution.

Then he referred to the deferred equity plan. But the interesting thing in connection with this matter is that among the witnesses who gave evidence was none other than the present Secretary of State (Mr. Lamontagne). He gave evidence at that time and he gave his views in regard to various matters. This is of interest. This is the Secretary of State, Mr. Speaker; the man who over and over again criticized us because we had budget deficits, created as a result of the extra assistance we gave to the provinces. What did he say when he gave evidence here in parliament? At page 1041 he is reported as having said this—and I refer to Professor Lamontagne:

Q. For general taxation purposes, then, that would assume that the taxes levied upon us now are excessive and not needed for the general revenue of the country?

A. Yes.

Just prior to answering that question there is this passage:

Q. Do you mean you would lower the income rate as it now exists?

A. Yes, for general taxation purposes.

This was the economist talking, not the politician. A little further on it becomes even more interesting as he gives his general views on the question of the economy. I wonder whether he has whispered any of these things to the Prime Minister and the other members of the government:

Q. You say you would therefore lower them? Assuming that we continue to receive the revenue we now get for expenditures that are necessary, do you say that we should lessen those expenditures?

Here is his answer:

Not lessen our expenditures—

In that this government has certainly run true to the Lamontagne viewpoint of 1950.

[Mr. Diefenbaker.]

They have not lessened our expenditures; they have increased them by several hundred million dollars.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: I bring this to the attention of the government. He said, "Not lessen our expenditures"—and certainly they have learned that lesson. They did not need the Secretary of State to give them that advice. This is the next part of his answer:

—but I do not believe in the balanced budget—

This is interesting. This is one of the ministers of this government talking. Now we begin to see why the talk of a balanced budget has now ceased and does not have any efficacy in their thinking. Then he said:

—and I think we will experience deficits in the near future.

Those prophecies on the part of the Secretary of State, Professor Lamontagne as he then was, came a lot nearer to the facts and were much truer than those of the Minister of Finance (Mr. Gordon) in "Troubled Canada." Professor Lamontagne was asked this question a little later on, as reported at page 1042:

When you spoke of reducing the rates of income tax you had in mind the fact that today we are spending, in our budget, about \$100 million on old age pensions; and you say you would take that out of the budget, put it in the social security levy, and reduce the income tax by the amount that results in the \$100 million of taxation?

His reply was:

Not necessarily; but that is another question.

Then he was asked:

Subject to what you said about balancing the budget?

A. No, I do not favour a balanced budget.

This is tremendously interesting. I suggest, sir, that when we come to financing this new plan of social security Mr. Lamontagne be called in, and his professional opinion that the time has come for a reduction in income tax be carried into effect, regardless of whether or not there is a balanced budget, because when he was an economist before he became a politician he did not believe in a balanced budget.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: What about this plan?

An hon. Member: He would take off the sales tax, too.