

*The Budget—Mr. Peterson*

higher end of the scale, the top marginal federal tax rate has been reduced from 43 per cent to 34 per cent. This means that the combined federal and provincial tax rates will fall from the present high of 64 per cent down to 50 per cent, and there will be a reduction of taxes on capital gains from 32 per cent to 25 per cent.

The budget undertakes the first major overhaul of our tax system since 1972 to make up for this lost revenue. This is accomplished by eliminating a number of tax expenditure plans, or loopholes, which generally benefit individuals in higher income brackets. The declared thrust of this overhaul is to create equity or fairness among taxpayers. The result of this is that some taxpayers in a higher bracket who benefited from these expenditure plans will face a net increase in their taxes.

I cannot help but recall some of the remarks made by the Right Hon. Leader of the Opposition (Mr. Clark). I would not have mentioned this had he not returned to this subject twice. He seemed to be quite concerned about the fact—and exercised about it—that the government was ensuring that individuals who used company cars for personal benefit would not get a tax break. He said that we were not penalizing fairly people such as travelling sales persons or real estate sales persons. What we are doing in this area is simply ensuring that that portion of their automobile which is spent for business purposes is not taxable, but if they use their car for pleasure, for example, to go to Florida by car for a vacation, that portion of it will be treated as a taxable benefit. Every other taxpayer has to pay for it. That is all we are doing. As the hon. member says, we are ensuring proper collection procedures in this provision. The Right Hon. Leader of the Opposition made quite an issue out of that. He said that if I was wrong he would expect me to vote for his amendment on this budget. But he did not have the courage to accept my counter offer that if he was wrong he would vote for our motion on the budget.

**An hon. Member:** That is great. Tell us about taxing Blue Cross and dental plans.

**Mr. Peterson:** In the midst of these changes the budget has taken into account the devastating impact high interest rates can have on home owners who are facing the prospect of renewing their mortgages. A temporary system has been created combining guarantees and grants to ensure that home owners who might not otherwise be able to meet increased monthly charges will not be forced to sell their homes. Other measures have been designed to help small businesses and farmers to cope with the present high interest rates which we all agree are too high. For example, I believe our proposals regarding small businesses will bring them benefits amounting to an average of \$27.5 million for each of the next two years.

Returning to the subject of interest rates, we must recognize that the help given to home owners, small business and farmers in order to allow them to cope with these high interest rates is only a stop-gap remedy. There can never be a real substitute for reducing inflation and thus reducing interest rates to a

reasonable level. We must ensure that the high rates do not again skyrocket.

● (1740)

I think it is important for us to recognize some important facts. Since August there have been ten successive decreases in the bank rate. It has come down from a high of 21.24 per cent to 16.13 per cent last Thursday, a decline of 5.11 percentage points. The prime lending rate has come down from a high of 22.75 per cent to 18 per cent, a drop of 4.75 percentage points. Likewise, the rate on five year mortgages has also declined 4.75 percentage points. I have not heard any approbation from hon. members opposite in this House as these rates have steadily come down. However, as those rates were going up, they criticized us. One would at least have thought that they would have been tempered and even in their distribution of praise and criticism. We recognize that the rates are still too high, which again dramatizes the need for measures which will bring down our rates.

**Mr. McDermid:** Are you taking credit for their falling?

**Mr. Peterson:** I hope the hon. member will listen because, if he does, he might understand the full thrust of this budget.

As the Minister of Finance has said—and I echo his words here today—the foremost thrust of this budget is to control inflation and to keep bringing interest rates down. Let us look at the solutions offered by the Tories, who seem to be quite vocal this afternoon—through a rump group listening to the hon. member for Etobicoke Centre (Mr. Wilson), the Tory finance critic, one would think that he was in favour of our approach of reducing the deficit and bringing down interest rates, because he said this: “A major drop in inflation and a major drop in interest rates is what this country needs most.”

That was last Thursday. Thus far one would think that the hon. member is a fairly bright fellow. But wait; what he did after that was a complete U-turn. He criticized us by saying, “What we have is a restrictive budget when the reverse was called for.” What he seemed to be saying in that last sentence was that he wants the government to enter into new expenditure programs, more government spending and a higher government deficit as a cure for inflation and high interest rates. However, I am not sure. That is what he seemed to be saying, but I am not sure because in another sentence he said that we should have been reducing the deficit even more. The only reasonable explanation for the U-turns and the contradictory statements by the hon. member for Etobicoke Centre is that he wrote his response to the budget last September just after he was appointed finance critic. You should have seen the look on his face, Mr. Speaker, when he actually saw our budget documents and realized that our Minister of Finance meant real business in terms of dealing with inflation and high interest rates.

So much for the Tories. In terms of positive alternatives they are as bankrupt as they would make this country if we followed their proposals.