

*Income Tax Act*

would ask the government: Who in fact, in addition to the Liberal government, shows any support for this bill? I have not heard any support from any parties in opposition; I have not heard any support from any province in Canada; I have not heard any support from labour groups; I have not heard any support from the business sector; and I have not heard support for this bill from anywhere except from a few cabinet ministers and backbenchers on the other side. Perhaps the next speaker will tell us about the great support for this tax measure that is coming in from across Canada, because I am certainly not aware of any.

To say that everything is wrong with this bill would be an overstatement. We must recognize that in some ways it is successful. The government has been successful in respect of this bill, and that success can be measured by the fact that through this bill the government has successfully encroached on provincial rights. It has been successful in undermining a long standing tradition, the partnership concept of confederation. It has also been successful in demonstrating its incompetence and confusion in economic matters and now, through the bill, not only economic matters, but also its grasp of the unity issue. This government has been successful in these ways, but it has also been very successful in building a civil service of 640,000 employees.

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In previous speeches I have talked about the government becoming the biggest employer in Canada, hiring 640,000 civil servants; but now one department of the government has become even larger than the whole civil service of Canada, and that, of course, is the UIC. In fact, the unemployed are the biggest group of employees in the country. When you add to the 640,000 civil servants the provincial government civil servants and the municipal government civil servants, and on top of that you add those receiving assistance from various government levels, then rather than self support you wonder who is doing all the work. You wonder where in Canada is that minority that is working hard and producing the tremendous income support that it takes to support this bureaucracy and agencies at all levels of government in Canada.

So far the debate has centred, and rightly so, on the problems with the bill, but what of the broader principle which is the principle of a tax cut for the Canadian economy? In my opinion, the bill fails even in that category because, firstly, the bill does not provide more than a token tax cut. Secondly, it is not accompanied by equivalent cutbacks in government expenditures. In Canada today we are taxing work, taxing growth, taxing investment, taxing savings, taxing productivity. On the other hand, we are subsidizing non-work consumption, welfare and debt. Is it any wonder we are getting less and less of the first category and more and more of the latter?

The real problem with our Canadian economy today is that incentive is being taxed away. Taxes at all levels now consume more than 43 per cent of our gross national income, and, coupled with steeply graduated tax rates, our private enterprise economy's ability to create jobs and generate higher real

incomes is being strangled. In face of this situation, what does the government do? It refuses to make permanent tax cuts and continues to increase government spending on new and exotic give-away programs. At the same time inflation increases everyone's taxes daily as people are pushed up into higher tax brackets, thereby discouraging incentives for both workers and investors.

Remember, when we talk about a major tax cut, we are not talking just about a tax cut for investors; we are talking about a tax cut for labour—a labour incentive as well as a business incentive. In order to increase the after tax income of all Canadians and restore incentive in the Canadian economy, the government should look to bold programs like the ones that are being discussed in the United States, programs that would reduce all individual income tax rates by about 33 per cent; not 2 per cent or 1 per cent or just an inflationary coverage, but an individual income tax cut of 33 per cent. A reduction of corporate tax rates by 3 percentage points, complete write-off of all capital losses—these are the types of bolder stimulants that are needed in our economy at this time.

This type of bold attack on the economic woes of our country would stimulate an immediate growth of economic output, employment and investment. This would expand the nation's tax base, thereby increasing tax revenues for all levels of government. A corresponding reduction in government expenditures for welfare and unemployment compensation will prevent any increase in the budget deficit.

This is not a new proposal and was in fact demonstrated in the United States by President Kennedy in 1963. As a result of that massive tax cut in 1963, the United States experienced the highest real investment growth in modern history. Inflation was the lowest in modern history, real industrial output growth was the greatest in any period, and real disposable income grew the fastest. This is not a program they merely talked about; this is a program that was in fact implemented, a 25 per cent income tax cut across the board.

Substantive rather than token and temporary tax cuts are not a new remedy and have, in fact, been proven highly successful in many nations in the past. In Great Britain, for example, the income tax was first imposed in 1799. Thereafter, under the pressure of the Napoleonic wars, the rates rose rapidly as did the national debt. Despite the fact that the income tax was producing one fifth of Britain's tax revenue in 1815, about 15 million pounds, and its debt had risen to the astronomical sum of 900 million pounds, parliament abolished the income tax in 1815. Can you imagine that, a country actually abolishing income tax!

Then, as now, the cries of the fiscal experts were loud. It was said that the debt would crush the economy and that the tax rates must remain high in order to pay it off. What happened, however, was that the abolition of the income tax set off a 60 year economic expansion in Great Britain which, by the end of the century, had significantly reduced the debt in both absolute and relative terms. Over the same period the interest rate on government bonds dropped steadily, attesting