

*Family Allowances*

ground economy I am referring to people who circumvent the normal commercial system. It is not necessarily tax evasion, but tax avoidance. Everyone is familiar with the problems of high taxation. Indeed, it is said that in Sweden, where the tax rate is very high, the only people of real worth are the plumbers and carpenters who are able to work for cash as opposed to working for receipts. The problem is assessing the actual cash income of families.

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How does one assess a person who raises a vegetable garden and reduces the amount of money spent on food out of the family budget? I understand in Denmark the government is attempting to tax garden produce on the basis that families should show a reduction in the amount of money spent out of their budgets for food. It is felt that they should be taxed so that everyone is equal. Apparently a person who raises a large garden should be taxed on his efforts, as opposed to someone who does not raise garden vegetables and has to pay the market price.

These are some problems administering such a program on a reasonable basis. This growing problem is peculiar to high tax regimes which now prevail in the western world. I do not like the \$200 per child direct payment. If it is to be made, surely it should be on a monthly basis. I do not dispute certain families in lower income groups would benefit by extra income, but blanket payouts to every child is not the way to approach the problem.

Over the years I have become quite familiar with how Canada assistance plans function. Careful assessment by experienced workers is necessary to arrive at the best method of assisting low income families with their financial problems. Many low income families need considerable counselling and suggestion. The voucher system is very much in effect on the Indian reserves in my riding. A more careful control is kept over the well-being of families by administrators of bands through the voucher system. The results may be debatable, but considering the vast amount of money spent, negative income tax payouts are not a good idea. This brings up the entire question of government spending.

Perhaps it is fortunate for politicians, but it is unfortunate the public does not have at its disposal a method of informing politicians about how they feel. Such a method is in existence in the United States. Proposition 13 in California startled and shook the foundations of government policy in the United States. That slopped over into Canada. It has become much more honourable to talk about fiscal economy.

In the United States a debate took place concerning its 1979 budget. Representative Marjorie Holt of Maryland rose to introduce a brief but explosive amendment to reduce the president's deficit of \$61 billion by \$13 billion. The amount of \$61 billion is considered large in the United States. What about our approximate deficit of \$10 billion or \$11 billion, and some even suggest upwards of \$15 billion? Our economy is approximately one-tenth the size of the United States. If the American deficit were as large as ours, it would amount to

[Mr. Ritchie.]

\$100 billion or \$150 billion. Furthermore, American government expenditures for the benefit of the states are much less than those in Canada for the benefit of the provinces. Provincial deficits account for approximately one-half of the federal deficit. We are in a much worse position, as far as finance is concerned, than the United States.

Today the Minister of Finance (Mr. Chrétien) indicated that dramatic happenings occurred in Washington because of the raise in interest rates. Representative Holt said:

What we must do is to reduce the growth rate of federal spending. We must reduce the government sector's burden on the economy and the excessive strain on the capital markets. The remedy for inflation is production.

Her resolution was defeated, but the substance of it was included in American politics with the Republicans submitting an updated and dramatic five-year plan to produce a balanced budget in 1982. Of course politicians are happy to embrace what is popular and likely to gain votes, even if the idea can be dismissed as empty rhetoric. But we are witnessing a turning away from economic policies which place emphasis on pumping up aggregate demand for goods and services.

We are moving toward policies which encourage production and increase supply. Of course that is the true source of the health and welfare of a nation. Some people say that this common sense objective was lost during the depression in the intricacies of Keynesian theories. It was felt the market system was not self-sustaining due to leakages between people's propensity to save and real investment opportunities. Thus, there was a tendency for demand to fall short of potential output, and the government increased spending to make up the deficit. Of course it was argued that this could be done without inflationary consequences until full employment was attained.

This thought or attitude was embraced by all politicians, but one must remember that it was based on conditions which existed a long time ago. Today there is inflation, unemployment, and a universal agreement that we suffer from an acute shortage of capital investment. Thus the emphasis on pumping up demand through increased consumption and transfer of income from rich to poor looks less and less attractive. It is a fact that there must be balance oriented to growth and capital formation. Without capital it will not be possible to solve production and inflation problems.

It would be nice to reduce taxation without reducing outlays. Government spending has risen at fantastic rates. The present budget deficit of the Canadian federal government is greater than the total budget in 1968 when the Trudeau government came into power. These enormous deficits sop up capital and savings which should be invested in capital markets. If the Bank of Canada is required to monetize the debt, or even a substantial portion of it, there will be the added factor of dangerous inflation. Therefore there is every reason to welcome a determination to retain fiscal control.

We can look at what happened with a minority government during the period 1972 to 1974. At that time the deficit was less than \$3 billion. Largely it was monetized. The Bank of Canada printed money rather than distribute a bond issue in the marketplace. This added to the severe inflation which we