

Borrowing Authority

the provinces. The combined deficits of the 10 provinces on a national accounts basis rose last year from \$4.9 billion to \$8.2 billion. Thus the over-all net reduction in federal-provincial deficits was \$4.2 billion. For that deficit reduction we paid a very stiff price. The stagnation of regional economies anywhere outside southern Ontario resulted in only 5,000 jobs being created in 1986. In the western and Atlantic Provinces the unemployment rates remain at very near the same levels as they were when the Conservatives took power in 1984.

Other things which have happened as a result of the Government's determination to cut the deficit is that vital programs such as post-secondary education and health, which are financed partly by the federal Government and by the provinces, will see a reduction of \$2 billion in funding between now and 1990-91.

My Province of Manitoba has done a relatively good job in terms of job creation. The unemployment level in Manitoba has fallen despite the cuts in federal support. However, the province now faces a number of very unpleasant choices. It can cut its programs, it can opt for a higher deficit, as have many of the other provinces, or it can increase provincial taxation. We are told that at some point in the future this determination to reduce the deficit, for which there has been so much retrenchment, will lead to the position where the promises made by the federal Government in 1984, prior to the election, will be redeemed.

One of the promises the Government made was that it would reform the tax system. It would make the tax system simpler and fairer. I have already referred to the fact that in the three years the Government has been in office it has increased income tax, sales tax, excise tax and taxes on fees for services so that the average family is paying \$1,350 more in taxes now than in 1984. The Government has done nothing about plugging the loopholes for the wealthy in terms of personal income tax or for many corporations which have been quite profitable.

To illustrate, let me point to the fact that in 1976 there were only 24 persons paying no income tax on incomes in the top tax bracket. By 1983 there were 259 Canadians who paid no tax on incomes over \$200,000. From inquiries I made I discovered that in 1981 the average income of the 239 persons that year who paid no income tax was an astounding \$615,000. Let us compare that with the fact that there are many people living below the poverty line who are still required to pay income tax. This is the unseemly free ride that minimum tax rates were supposed to stop.

We are told again and again that at some point in the near future the Government is going to bring down a White Paper and explain how it is going to give us a fair tax system. However, what the Government has done is open the flood gates to the wealthy with, for example, the \$500,000 capital gains exemption and the increase in the amounts which can be contributed to RRSP plans to which the wealthy can contribute up to \$15,500 in the year in which they would not have to pay any income tax. These are examples of the kinds of things

the Government has done to make us believe it is not serious and that we will not receive any real proposals to make the tax system fairer.

Not only has the Government let the wealthy off in terms of them paying a fair share in the form of income tax, it has let the corporations get away with murder. In 1950, federal corporate income tax and personal income tax accounted for equal shares of the revenue received by the federal Government. Today we see individuals paying almost 45 per cent of the federal Government's revenue and the corporate share dropping sharply to below 20 per cent. We also see the taxpayers' share increasing by 15 per cent and the corporate side not increasing at all. Yet the Government is not forcing the corporate sector to pay its fair share of taxes.

Preferred shares which are now very popular with many corporations still go untaxed. We continue to see tax deductible interest on takeovers, which take massive amounts of borrowing without producing any new employment. The Government tells us how it stepped in to cut the scandal of the scientific research tax credit while at the same time it permitted those who had already made application to receive that tax credit. We lost, not \$1 billion but over \$3 billion in taxes which these companies should have paid. The Government wants to present a hopeful picture today. But it is short of revenue and it is reluctant to find or create more revenue. In order to try to deal with the deficit, it sells off profitable and useful Crown corporations such as Teleglobe. There are thousands of Crown corporations at the federal and the provincial level. Crown corporations were not a product of the imagination of some wild-eyed socialists. Ninety-five per cent or more of the Crown corporations at the federal and provincial levels were established by Conservative, Liberal, Social Credit, and PQ Governments. These Governments established Crown corporations because they saw a need which had to be met. The private sector was not willing to meet these needs, so Governments created those Crown corporations. Now these Crown corporations are being sold without any thought as to the reasons for which they were established and the benefits which they bring to the country.

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I have talked about how the federal Government has transferred debts to the provincial Governments, which have accentuated the regional stagnation, which is further compounded by the Government's failure to produce a workable regional policy. There have been a number of concrete and worthwhile suggestions of things which need to be done. Because of its fear of increasing the deficit, the Government has rejected these suggestions out of hand.

The Federation of Canadian Municipalities made a very useful proposal when it pointed out that in most Canadian cities the infrastructure in the core area is falling apart. We need to begin to rebuild the services and to rehabilitate the older parts of Canadian cities. We need to start to rebuild the roads, sewers, bridges, and drainage systems which are falling