

Surplus Would Vanish If New Taxes Removed, Macaulay Tells M.L.A.'s

Would Be Replaced by \$19,500,000 Deficit,
Charges the Conservative Budget Critic;
'Window Dressing' Seen in Debt Figures

ASKS RESOURCES BE LEFT FOR DOMINION

Ontario's estimated \$12,600,000 surplus could be reduced to a \$19,500,000 deficit and taxes would be decreased by \$32,100,000 if new levies imposed by the Hepburn Government were eliminated, Leopold Macaulay, chief Conservative financial critic, declared yesterday in the Legislature. He charged Premier Hepburn, as Provincial treasurer, with a "wrong-way Corrigan" on tax policies.

"The Prime Minister promised to reduce taxes and cut the cost of Government. Instead, he has done a "Corrigan." (Corrigan started to fly to California and landed in Ireland.) That is the way the Premier's tax policy has got turned around. He headed for 50 per cent less taxes and wound up with 50 per cent more. He headed for a reduction of the gas tax and increased the tax two cents a gallon," said the South York member.

Mr. Macaulay's analysis of the Province's financial position was made in an hour's address, the first speech of the Budget debate since the Budget was presented last Friday, and throughout the hour there was not a single interruption. At the end he was saluted with a roll of desk thumping from both sides of the House when, in declaring the Government had missed a chance to strengthen the Province's financial position, he added, "No wonder the mace fell from its cushioned perch at the opening of this Legislature."

Recalls Ilsley's Warning.

With his criticism he coupled a plea to keep down taxation as an aid to Dominion war financing. "I conceive it to be a duty of the Province, the senior member of Confederation, to reduce expenditure and taxation in order to make the maximum of our financial and other resources available as and when required for the war by the Dominion Government. By increasing Provincial taxation we are diminishing the amount of the wealth available for war and taxes," he said.

Finance Minister Ilsley had said \$2,283,000,000 must be raised this year by taxes and loans. "How are we going to do this," added the member, "if the Provinces get into the taxation/trough up to their ears? There will be little left in the trough by the time Mr. Ilsley gets there, and when that time comes excessive inflation will be forced upon the Dominion, and I hope it won't be excessive inflation."

The Provincial Governments, declared Mr. Macaulay, must give consideration to the fact there is a point where excessive taxation weakens the economic structure of the country. "If any jurisdiction has to resort to back-breaking taxation during the war it should be restricted to the Federal jurisdiction," he said.

Ontario's net debt has been increased from \$358,000,000 in October, 1934, to \$507,000,000 in March, 1940, an increase of \$149,000,000, said Mr. Macaulay. "Where is the joker in the budget? The only reason the treasurer is able to show an estimated reduction in gross debt this year is because he has tapped the Hydro till for a payment of \$7,700,000," said Mr. Macaulay, charging that the Hydro treasury, "under pressure from the Provincial Treasury, has been used to fix up the Province's gross debt reduction figures for window-dressing in election years." In 1937, for example, he said, a Hydro repayment of \$21,500,000 was made "to show gross debt reductions for window-dressing." In the next year it dropped to \$1,700,000, and then, "in this strategic year, 1941, it jumps to \$7,700,000."

"No wonder Harry Johnson (Ontario Liberal organizer) is laughing over there under the gallery. He appreciates this more than any one," he added. "As long as we have a public gullible enough to swallow these gross debt figures without getting net debt figures, we will have these attempts at window-dressing."

Refers to New Taxes.

The treasurer, he said, spoke of receipts as "revenue, but all this revenue is just plain taxes. In 1939 the treasurer boosted taxes to just under the \$100,000,000, but this year he makes a run for a touchdown to cross the \$100,000,000 line and is now headed for the \$125,000,000 mark." Taxation, he charged, had increased from \$50,000,000 in 1934 to \$114,000,000 in 1941.

He cited as new taxes, levies on gasoline, on liquor and income. "We hear a lot about what the Province has given back in rebates and subsidies to the municipalities from the income tax, but this tax has produced \$13,000,000 over and above what is returned to the municipalities. They take a cut on everything."

The Province, he continued, had new taxes and increased rates on old taxes, despite a drop in direct relief from \$21,800,000 in 1936 to \$4,300,000 in 1941. "A great fanfare of trumpets was blown over increasing the Province's share of unemployment relief from 40 to 75 per cent. But just to show you how tricky percentages are, this big percentage increase in Ontario's share only means an increase of 15 per cent or \$600,000 on actual expenditure.

"He announced this before a conference of Mayors. What a window dresser the Prime Minister is and when he is through with this job he surely can get one in Hollywood. There in a hushed conference, each Mayor eagerly awaiting his most meagre pronouncement, he announced the Province would take up 75 per cent of the costs, nearly double that of the previous rate and there is one case where 35 per cent actually amounts to only 15 per cent.

Add the estimated \$14,800,000 "tax receipts" over the amounts forecast for this year, from gasoline, corporation and income taxes and from motor licenses and lands and forests, to the "automatic \$1,600,000 savings from the decrease in unemployment relief and you have a total of \$16,400,000 received in 1940-41 over the estimated amount last year. "That is where the surplus comes from and not from economies of the Government," charged Mr. Macaulay. "The only limit to a surplus which can be created the way Ontario is now creating it is the capacity of the people to pay more taxes. We are now taxed to the limit of endurance and in view of the increased Dominion taxation necessary for the war effort we are taxed away beyond the proper Provincial limit."

Would Shift Hepburn.

That the reporting of an all-time high surplus by Premier Hepburn was a correct measure of the war-time effort expected of the banner Province of the Dominion, was questioned by Colonel F. Fraser Hunter (Lib., Toronto-St. Patrick), in continuing the budget debate. He said that while every belligerent country had huge deficits it showed a discrepancy somewhere when one part of Canada could report a financial profit out of the war. He suggested that perhaps Ontario Province was not making the sacrifices it should.

Colonel Hunter deplored the complacency which is contained in the expression "after the war," and said that everything must give place to the pursuit of victory and the immediate production of the materials of war. He advocated the public honoring of all those, farmers, skilled workers and others, who were giving their utmost in the production of these things, even suggesting they be given distinctive uniforms and insignia for their respective trades or avocations.

He paid particular tribute to the Provincial Minister of Labor, Hon. Norman Hipel, who was responsible for the establishment of the Galt cadets. "That modest man who, perhaps more than any other in Canada, has speeded up efficient Canadian war production," said Colonel Fraser. He went on to say that the original conception and organization of the Galt School was at the Minister's own personal expense. "The House will perhaps agree with me that this retiring, quiet, efficient man stands almost alone in Canada in his useful patriotism," was his final tribute.

"Our Premier," he said, "has the wrong job. The proper place for him is in the seats of Allied Control. We, of course, want him, but he is wasted here and should be at the right hand of Churchill where his responsibilities would be some measure of his abilities. With this astounding budget before them, it must be obvious to all Canadians that the Federal Minister of Finance would be well advised to take the genius of our Provincial Treasury into his innermost councils. To be able to pick a record surplus rabbit out of a battered war hat is not a political conjuring feat, it is a miracle."