



Ontario

NOT TO BE RELEASED  
BEFORE NOON, MONDAY,  
MARCH 10, 1975.

Ministry of Treasury  
Economics and  
Intergovernmental  
Affairs

Queen's Park  
Toronto Ontario

REMARKS BY

HON. W. DARCY McKEOUGH  
TREASURER OF ONTARIO

AND

MPP FOR CHATHAM-KENT

TO THE

CANADIAN CLUB

ROYAL YORK HOTEL  
TORONTO, ONTARIO

MARCH 10, 1975

PLANNING THE ONTARIO BUDGET

MR. CHAIRMAN:

IT IS A PLEASURE TO BE WITH YOU AT THIS LUNCHEON TODAY. I'VE NOT BEEN ACCEPTING SPEAKING ENGAGEMENTS FOR THE PAST MONTH -- I'VE BEEN BUSY GETTING A FRESH HANDLE ON TREASURY. BUT NOW I AM SURFACING AGAIN. AND I'M PARTICULARLY PLEASED TO SURFACE IN AN ENVIRONMENT SUCH AS THIS.

I PROPOSE TODAY TO TALK TO YOU ABOUT PLANNING THE ONTARIO BUDGET. I OBVIOUSLY MUST TALK IN GENERAL TERMS. IT IS A FACT -- PERHAPS REGRETTABLE -- THAT KNOWLEDGE OF THE CONTENTS OF A BUDGET MUST BE NARROWLY HELD. IN MANY WAYS IT WOULD BE A HAPPY CIRCUMSTANCE IF WE COULD DISCUSS BUDGET DETAILS WITH CITIZENS INVOLVED IN THE DIFFERENT FACETS OF THE SOCIAL AND ECONOMIC PROCESS. PERHAPS, IT MIGHT RESULT IN A BETTER BUDGET. UNFORTUNATELY, IT COULD PROVIDE EXCESSIVE OPPORTUNITIES TO TAKE ADVANTAGE OF EARLY KNOWLEDGE. THIS IS A RISK WE CANNOT TAKE.

THAT DOESN'T, OF COURSE, MEAN THAT A BUDGET IS IMMUTABLE. ERRORS CAN BE MADE AND ADMITTED; ANYONE WHO WILL NOT ADMIT A MISTAKE, IN FACT, IS INSISTING THAT HE IS NO WISER TODAY THAN HE WAS YESTERDAY.

THE REFINING OF BUDGET PROPOSALS HAS BEEN RECENTLY PRACTISED BY THE GOVERNMENT OF ONTARIO. AS A CONSEQUENCE OF DISCUSSIONS WITH PEOPLE INVOLVED IN THE MINING INDUSTRY -- PEOPLE HERE TODAY -- SIGNIFICANT IMPROVEMENTS WERE MADE IN OUR PROPOSALS TO UPDATE THE MINING TAX SYSTEM AS INTRODUCED IN THE 1974 BUDGET: THAT BUDGET EXPLICITLY PROVIDED FOR CONSULTATION ON THE DESIGN OF INCENTIVES, EXEMPTIONS AND THE CONTINUED DEVELOPMENT OF THE ONTARIO MINING INDUSTRY.

WE HAVEN'T, OF COURSE, ELIMINATED RESOURCE TAXES. NOR WILL WE. AS ONE AMERICAN STATESMAN SAID OF ANOTHER "HE SMOTE THE ROCK OF THE NATURAL RESOURCES AND ABUNDANT STREAMS OF REVENUE GUSHED FORTH". THAT WAS DANIEL WEBSTER, SPEAKING OF ALEXANDER HAMILTON IN 1831. I JUDGE THAT NATURAL RESOURCES ARE NOT A NEW SOURCE OF REVENUE TO GOVERNMENTS! I WOULD ASSUME THAT THE RESOURCE INDUSTRIES, PERHAPS JUSTIFIABLY, PROTESTED THE FACT THEN, AND I AM NOT SURPRISED THAT THE DIALOGUE CONTINUES TO THIS DAY.

THERE IS NO DOUBT:RESOURCE TAXATION IS A CONTROVERSIAL ISSUE. BUT LONG BEFORE HAMILTON INTRODUCED HIS RESOURCE TAXATION POLICIES A GREAT ENGLISHMAN, EDMUND BURKE, MADE A COMMENT THAT WAS RELEVANT TO HAMILTON AND, I WOULD SUGGEST, HAS A RELEVANCE TO ME IN MY PRESENT POSITION. BURKE'S COMMENT, MADE IN 1774, WAS THAT "TO TAX AND TO PLEASE, NO MORE THAN TO LOVE AND TO BE WISE, IS NOT GIVEN TO MEN".

I WOULD NOT PRESUME TO CHALLENGE BURKE. IN ALL PROBABILITY ONE CANNOT CONCURRENTLY LOVE AND BE WISE. BURKE SAYS SO. I ACCEPT IT. BUT, THE OTHER THOUGHT I CAN CONFIRM: I FEEL QUALIFIED TO AGREE THAT IT IS REMARKABLY HARD "TO TAX AND TO PLEASE".

WHETHER TAXES AND GOVERNMENT EXPENDITURES CAUSE PLEASURE OR PAIN -- THEY HAVE THE CAPABILITY OF DOING BOTH -- THEY ARE BASIC TO A DEMOCRATIC SOCIETY. THEY ARE A MEANS OF EQUALIZING INCOME AND OPPORTUNITY. TAXES PROVIDE THE RESOURCES FOR PURSUING THE PUBLIC PURPOSES OF SOCIETY. BUT THE EFFECT ON THE CITIZEN, WHETHER HE RECEIVES OR PAYS -- AND ALL OF US DO BOTH -- MUST BE CAREFULLY ASSESSED AND ANTICIPATED. TAXES CAN SERIOUSLY UNDERMINE PRODUCTION. PROPERLY APPLIED THEY CAN PROVIDE AN INCENTIVE TO ENHANCE PRODUCTION AND PRODUCTIVITY. TAXATION CAN GIVE NEW HOPE TO A CITIZEN OR COMMUNITY. IT CAN ALSO CAUSE OPPOSITION AND TENSION: THE AMERICAN REVOLUTION, WHICH CHANGED THE POLITICAL FACE OF THE WORLD, WAS FINALLY TRIGGERED BY BRITAIN'S TAXATION POLICIES.

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IN MATTERS OF PUBLIC POLICY I BELIEVE IN OPEN DECISIONS OPENLY ARRIVED AT. I BELIEVE IN DIALOGUE. I BELIEVE IN CARDING THE OPINIONS OF THE CITIZENS AND WEAVING THEM INTO THE FABRIC OF POLICY.

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REASSURED THAT CITIZENS AND GOVERNMENTS IN THE CANADA OF THE 1970s HAVE AN UNDERSTANDING OF THE PROBLEMS OF BUSINESS AND SOME APPRECIATION OF THE CONTRIBUTION BUSINESS ENTERPRISE MAKES TO SOCIETY.

IT HAS COME THROUGH THAT MANY PEOPLE IN OUR SOCIETY FEEL THAT GOVERNMENTS IN CANADA ARE TRYING TO DO TOO MUCH TOO QUICKLY. BUT I HAVE ALSO FOUND A LOT OF CONCERN ABOUT THE RATE OF INFLATION. I THINK IT WOULD BE FAIR TO SAY THAT A GOOD MANY CITIZENS FEEL, IN PARTICULAR, THAT THE GOVERNMENT OF CANADA SHOULD BE PROVIDING A GREAT DEAL MORE LEADERSHIP IN TERMS OF RESTRAINING INFLATION AND THAT, IN PARTICULAR, THE YEAR-TO-YEAR INCREASES IN GOVERNMENT EXPENDITURES ARE SIMPLY SHOCKING.

THE PROVINCES DIDN'T ESCAPE CRITICISM AND THAT INCLUDES OUR OWN PROVINCE. MANY CITIZENS, FROM THOSE DRAWING WEEKLY PAY CHEQUES TO THE HEADS OF OUR LARGEST NATIONAL CORPORATIONS, HAVE IN COMMON A STRONG FEELING THAT A LOGICAL PLACE TO BEGIN TO BRING INFLATION UNDER CONTROL IS IN A REDUCTION OF THE PROPORTION OF THE GROSS NATIONAL PRODUCT THAT IS TAXED AWAY FROM THE CITIZENS AND EXPENDED BY THE ELEVEN SENIOR GOVERNMENTS OF CANADA AND THE MUNICIPAL GOVERNMENTS. AT A MINIMUM ALL SHOULD SLOW THE ESCALATION OF EXPENDITURES.

IT WOULD BE TOO FACILE TO RESPOND THAT THIS PRESUMES A REDUCTION IN PROGRAMS AND TO ASK WHERE THE CRITIC SUGGESTS THE KNIFE MIGHT FALL. THE FACT IS THAT, AS THESE CITIZENS REPEATED TIME AND AGAIN, INFLATION IS A WORRISOME AND DANGEROUS ELEMENT IN OUR ECONOMY. IT MUST INCREASINGLY BE BROUGHT UNDER CONTROL. GOVERNMENT LEADERSHIP IS DEMANDED. THE DEMAND CANNOT BE BRUSHED ASIDE WITH A QUESTION.

LET ME DEPART LONG ENOUGH FROM REPORTING ON THE PRODUCTS OF MY INTERVIEWS TO STATE THE OBVIOUS: INFLATION IS AN EXTREMELY DIFFICULT PROBLEM. GOVERNMENT EXPENDITURES ARE NOT WITHOUT INFLUENCE ON INFLATION LEVELS, BUT THAT IS ALSO TRUE OF OTHER SECTORS OF THE ECONOMY.

RISING RATES OF PAY ARE CLEARLY A CONTRIBUTOR TO THE INFLATIONARY PRESSURES. I CERTAINLY DON'T WANT TO BE UNDULY OR UNFAIRLY CRITICAL OF WAGE SETTLEMENTS. BUT WE MUST REMIND OURSELVES THAT OVER THE PAST YEAR THE SETTLEMENTS HAVE INCORPORATED MUCH GREATER INCREASES IN CANADA THAN SETTLEMENTS IN THE UNITED STATES AND WE MUST NOT OVERLOOK THE FACT THAT THE UPWARD SURGE IN WAGES IN CANADA HAS RESULTED IN OUR WAGE LEVELS SURPASSING THOSE OF THE UNITED STATES IN A NUMBER OF IMPORTANT SECTORS.

IN ADDITION, PRODUCTIVITY INCREASES HAVE BEEN SLOWING IN RECENT YEARS: OUR WAGES AND INDEED OUR SALARIES ARE GOING UP FASTER.

GOVERNMENT EXPENDITURES AND RATES OF PAY BOTH PLAY A PART. THAT IS NOT ALL. MANY APPEAR TO BE REMARKABLY CASUAL ABOUT THE NEED TO CONTAIN THE PRICE OF ENERGY. INCREASES OF EVEN \$1.00 A BARREL FOR CRUDE OIL EXTRACT MASSIVE SUMS FROM THE CONSUMER AND INDUSTRY IN ONTARIO. INCREASES IN THE PRICE OF NATURAL GAS COMPOUND THIS DOLLAR DRAIN. MOREOVER, ENERGY COST INCREASES HAVE A RIPPLE EFFECT THROUGH THE ENTIRE ECONOMY.

NO ONTARIO TREASURER CAN CONTAIN THE PRICE OF ENERGY. FOR THIS ONTARIO MUST RELY ON OTTAWA. IT IS VITALLY IMPORTANT THAT THE GOVERNMENT OF CANADA BEGIN TO CONTROL THIS INFLATIONARY PRESSURE. A PLACE FOR THEM TO START IS AT THE FIRST MINISTERS' CONFERENCE IN APRIL.

INCREASING ENERGY PRICES ALSO HAVE AN IMPORTANT EFFECT ON EMPLOYMENT. IN CONJUNCTION WITH INFLATIONARY PRESSURES IN OUR ECONOMY WE ARE FACING INCREASING UNEMPLOYMENT. THE FACT OF ONE MAKES THE CONTROL OF THE OTHER MORE DIFFICULT. INFLATION COULD BE SLOWED AND EMPLOYMENT INCREASED BY A FEDERAL POLICY COMMITTED TO RESTRAINING THE INCREASE IN ENERGY COSTS.

IN SOME MEASURE THE FUTURE OF OUR ECONOMY RELATES TO OUR ABILITY TO CONVINCED OTTAWA TO CONSTRAIN THE RISING COST OF ENERGY. APART FROM OTHER IMPORTANT CONSIDERATIONS, THE UNITED STATES IS HAVING SOME SUCCESS IN RESTRAINING ENERGY PRICE INCREASES; IF WE FAIL TO DO THE SAME OUR COMPETITIVE POSITION IN EXPORT MARKETS WILL CONTINUE TO DETERIORATE.

I HAVE SAID ON OTHER OCCASIONS THAT I UNDERSTAND THE ASPIRATIONS OF THE PRODUCING PROVINCES IN TERMS OF GAINING A REASONABLE RETURN FOR THEIR DEPLETING ENERGY RESOURCES. I UNDERSTAND THOSE ASPIRATIONS VERY WELL. BUT THE TWIN THREATS OF INFLATION AND UNEMPLOYMENT WILL BE REINFORCED BY ANY UPWARD REVISION IN ENERGY PRICES. NOTHING IS MORE IMPORTANT IN THE DIFFICULT CIRCUMSTANCES IN OUR INFLATION-RIDDEN, UNEMPLOYMENT-THREATENED CANADIAN ECONOMY THAN THAT OUR NATIONAL ENERGY POLICY SHOULD BE BENT TO THE REAL NATIONAL INTEREST.

IN THIS REGARD THE APRIL 9 AND 10 MEETING OF THE FIRST MINISTERS WILL BE CRITICALLY IMPORTANT. WITHOUT ANTICIPATING THE TENOR OF THAT MEETING IT SEEMS TO ME THAT IF THE BUILDING IN WHICH WE ALL LIVE IS ON FIRE IT IS PRETTY STUPID TO STAND AROUND ARGUING WHO HAS PRIOR RIGHTS TO THE WATER IN THE WELL!

ENERGY POLICY MUST BE DESIGNED TO ACHIEVE THE RESOLUTION OF OUR OBVIOUS NATIONAL ECONOMIC PROBLEMS -- THE CONTROL OF INFLATION, THE EXPANSION OF EMPLOYMENT, THE NEED TO INCREASE INDUSTRIAL CAPACITY AND COME TO GRIPS WITH THE FACT THAT OUR TRADE POSITION IS DETERIORATING: ANYTHING ELSE WOULD BE IRRESPONSIBLE. WE CAN ACCOMPLISH THE CORRECTION OF FEDERAL POLICIES -- OR LACK OF POLICIES -- THAT WILL, IN EFFECT, CAUSE OR PERMIT AN IMMENSE ADDITIONAL BURDEN ON OUR CITIZENS: THAT IS WHAT AN ESCALATION OF THE PRICE OF CRUDE OIL AND NATURAL GAS WILL ACCOMPLISH. UNDER THE CIRCUMSTANCES OF TODAY'S ECONOMY IT SIMPLY IS NOT APPROPRIATE.

AN AMERICAN FOLK WRITER AND SAGE ONCE ADVISED US ALL TO "BE HAPPY AND LIVE WITHIN OUR MEANS, EVEN IF WE HAVE TO BORRER THE MONEY TO DO IT WITH". THAT WAS ARTEMUS WARD AND HE DIED IN 1867, THE YEAR OF CONFEDERATION; GOVERNMENTS AROUND THE WORLD HAVE SLAVISHLY FOLLOWED THAT ADVICE EVER SINCE.

I DON'T WANT ANYONE TO ANTICIPATE MY BUDGET FROM WHAT I'M SAYING TODAY. I'M ARGUING THE CASE OF OUR PRIORITIES, IF I AM ARGUING AT ALL.

ACTUALLY, I GUESS I'M REALLY JUST THINKING OUT LOUD. I'M AWARE THAT EMPLOYMENT HAS BECOME MORE THAN A THEORETICAL CONCERN. I AM VERY AWARE THAT INFLATION IS

A PROBLEM, AND TO NO ONE MORE THAN THOSE ON FIXED INCOMES,  
I'M CONSCIOUS OF THE NEED FOR STABILITY.

IN THE WEEKS BETWEEN NOW AND THE PRESENTATION  
OF THE BUDGET THE GOVERNMENT OF ONTARIO WILL DEFINE ITS  
PRIORITIES VERY PRECISELY.

THE PRIORITIES OF A SOCIETY ARE DYNAMIC. IN THE  
YEARS FOLLOWING THE END OF WORLD WAR II THE TOP PRIORITIES  
INVOLVED THE PRODUCTIVE INFRASTRUCTURE OF THE PROVINCE --  
ROADS, HIGHWAYS, POWER GENERATING STATIONS, COMMUNICATIONS,  
TRANSPORTATION. THE TWIN FACTS OF DEPRESSION AND WAR HAD  
ALLOWED A DETERIORATION IN THESE ESSENTIAL FACILITIES.  
THEY HAD TO BE GIVEN A PRIORITY POSITION.

THE COMPOSITION OF OUR POPULATION AND THE  
ASPIRATIONS OF THE CITIZENS WERE ALTERING AS WE MOVED  
INTO THE 1960s: THE EDUCATIONAL SYSTEM WAS ENLARGED AND  
BROADENED, EQUALITY OF EDUCATIONAL OPPORTUNITY WAS ASSURED,  
NEW UNIVERSITIES WERE CREATED TO PROVIDE MORE OPPORTUNITY  
FOR HIGHER EDUCATION TO AN INCREASED POPULATION OF PEOPLE  
OF STUDENT AGE. OUR SOCIETY CONTINUED TO ALTER AND  
COMMUNITY COLLEGES WERE CREATED TO PROVIDE THE WIDER RANGE  
OF SKILLS REQUIRED BY AN INCREASINGLY INDUSTRIAL AND  
SOPHISTICATED SOCIETY WITH BROADENED SOCIAL AND CULTURAL  
CONCERNS.

RUNNING AS A CONSTANT THREAD THROUGH ALL THESE CHANGES WAS A GROWING COMMITMENT TO SOCIAL JUSTICE FOR ALL THE CITIZENS. HOSPITAL INSURANCE AND UNIVERSAL MEDICAL CARE IS AN IMPORTANT COMPONENT. LESS APPARENT BUT ALSO IMPORTANT WAS THE FLATTENING OF THE RISE OF THE REGRESSIVE PROPERTY TAXES THROUGH INCREASED ASSISTANCE FROM THE PROVINCIAL TREASURY FOR MUNICIPALITIES, THROUGH THE AGENCY OF THE ONTARIO PROPERTY TAX STABILIZATION PLAN AND THE ONTARIO TAX CREDIT SYSTEM. A MINIMUM DECENT STANDARD OF LIVING HAS BEEN GUARANTEED TO THE ELDERLY, BLIND AND DISABLED THROUGH THE ONTARIO GUARANTEED INCOME SYSTEM.

IN ONTARIO SOCIAL JUSTICE HAS MARCHED HAND IN HAND WITH ECONOMIC OPPORTUNITY. ENTREPRENEURIAL ACTIVITY HAS BEEN STIMULATED. REGIONAL INDUSTRIAL EXPANSION AND THE ONTARIO DEVELOPMENT CORPORATION HAVE WIDENED OPPORTUNITY THROUGHOUT THE PROVINCE. THE NEW MINING TAX POLICY IS A MEANINGFUL ATTEMPT TO STRIKE A BALANCE BETWEEN A HEALTHY MINING INDUSTRY AND EQUITABLE SHARING OF TAX BURDENS.

WHAT ARE THE PRIORITIES TODAY?

I'LL TELL YOU SOME OF MY CONCERNS. AND NOW I'M BACK IN A SENSE TO COMMENTING ON THOSE LONG TALKS I'VE HAD WITH SO MANY PEOPLE. I'M CONCERNED ABOUT HOUSING.

WE NEED MORE HOUSING STARTS, MORE SERVICED LAND, GREATER STABILITY IN THE COST OF OUR HOMES. I'M CONCERNED ABOUT ASSURED ENERGY SUPPLIES. I'M CONCERNED ABOUT THE REGRESSIVE BURDEN THAT WOULD BE VISITED ON ALL OUR PEOPLE THROUGH AN UNCONTROLLED ESCALATION IN THE PRICE OF CRUDE OIL AND NATURAL GAS, AND THE RESULTING INCREASE IN ALL ENERGY COSTS. I'M CONCERNED ABOUT THE GROWING BURDEN OF CONTINUING INFLATION, ESPECIALLY ON THOSE ON A FIXED INCOME. AND LAST, BUT NOT LEAST, I AM INCREASINGLY CONCERNED ABOUT CANADA'S POSITION AS A TRADER IN A MORE AND MORE COMPETITIVE WORLD IN WHICH HISTORIC RELATIONSHIPS CAN NO LONGER BE DEPENDED UPON.

IN THE FINAL ANALYSIS I SHARE THE CONCERNS SO MANY HAVE EXPRESSED TO ME IN TERMS OF THE PACE AND DIRECTION OF CHANGE IN OUR SOCIETY. FOR MANY OF US THERE IS A SENSE OF CONCERN AS TO THE STATE OF THE ECONOMY, THE SOCIAL VALUES OF OUR DEVELOPING SOCIETY, THE EFFECTIVENESS OF GOVERNMENT -- FEDERAL, PROVINCIAL AND MUNICIPAL -- AND THE PRESSURES THAT ARE VISITED UPON US IN OUR HOME AND WORKING LIVES.

I DO NOT SUGGEST THAT THERE ARE NOT ENOUGH POSITIVE SOCIAL AND ECONOMIC ELEMENTS TO FILL A SPEECH OF EQUAL LENGTH TO THIS ONE. I THINK THERE ARE. BUT THE DISTINGUISHING CHARACTERISTIC OF A PROVINCIAL TREASURER IS TO BE WORRY-

ORIENTED: YOU ARE SUPPOSED TO BE ABLE TO RECOGNIZE A  
TREASURER BY HIS WORRIED LOOK AND KNITTED BROW. I DO NOT  
SUGGEST THAT ALL THE PROBLEMS OF ONTARIO AND CANADA CAN BE  
RESOLVED BY A SINGLE BUDGET. HOWEVER, INCREASINGLY I FEEL  
THAT A MAJOR COMMITMENT TO OUR NATIONAL WELL-BEING BY  
THE GOVERNMENTS OF CANADA AND OF THE PROVINCES AND BY  
THE CITIZENS CAN ENSURE, INDEED, THAT THIS PROVINCE AND  
NATION BUILD AN EDIFICE OF FUTURE ACHIEVEMENT ON THE  
IMPRESSIVE STRUCTURE OF PAST ACCOMPLISHMENTS.

THANK YOU VERY MUCH.