

the condition whereby municipalities are no longer able to maintain the care of the unemployed which hitherto they have given. I cannot see how this government can much longer avoid accepting the responsibility which the municipalities have urged we should assume. In fact we had the warning from the responsible heads of these municipal bodies that unless the government did come to the rescue it would be only a matter of time before there would be riots in our cities.

Looking at the economic situation in a larger way may I point out two very great changes which have taken place in comparatively recent years. The first is that to which the Prime Minister himself in his radio addresses called attention, namely, that we have no longer an open market. Free competition, with the amount of natural regulation which it entailed, has been swept away, and we find a certain measure of planned regulation or monopoly. For me that is the challenge which meets the Liberal party with its older Liberal traditions. I know that sometimes the leader of the opposition protests that he does not cling to the laissez-faire policy, but if he does not I say he has no right to call himself a Liberal of the old school. That is essentially the traditional policy of Liberalism, and one which I maintain is altogether inadequate to meet the situation now facing us. Undoubtedly the open market, with all that is involved by way of free competition in that market, has gone; for that reason I believe the government is quite right in feeling its way towards greater regulation and planning. I take it that whatever government may be in power in the future will have to adopt a program of regulation.

There is another development in the economic world however which the Prime Minister did not stress, namely, the passing of world markets. Years ago when his party was seeking power the Prime Minister, as is well remembered, said that he would blast his way into the markets of the world. A year or so ago he returned from Europe a sadder and wiser man, because his message was practically this, "There are no markets." That, it seems to me, is about the truest statement the Prime Minister ever made, and one which is not fully recognized either by his followers or by hon. members of the official opposition. In view of the economic developments which have taken place in recent years I do not believe we can ever hope to have the expanding markets the world once enjoyed. Nearly all the leading countries of the world have adopted the capitalist system, producing not only for their immediate needs but to supply external markets. Those countries which were

once our customers are now our competitors; that is a chronic situation. Under these circumstances it seems to me that we will have to revise our whole national economy. Those people who to-day talk about securing markets or rebuilding external trade fail to realize the very great economic changes which have taken place in our own day.

The budget it seems to me is quite in line with the so-called reform legislation which we have had this year, that is to say it is wholly inadequate; in fact, it is a bitter disappointment. In his radio speeches the Prime Minister divided all the recipients of income into two classes, the non-producers on the one hand, the people living on their investments, and the producers or workers on the other hand, the people living as the result of their labour. He suggested there was inequality in the incomes received by the producers and the non-producers. He suggested, further, that taxation might be used in order to redistribute the national income and to secure a greater measure of equality between these two groups. Let me read a paragraph from the Prime Minister's second radio speech:

I think there is from all worth while points of view an inequality in the distribution of income; and I think, as between the non-producer and the producer, there must be devised, by some plan of taxation to be considered at once, a better balance, not only in fairness to the producer but also in the interests of the non-producer.

And again:

It is both uneconomic and unfair to trespass, at least farther than we have already, upon the non-producer's income which is only sufficient to maintain the possessor of it in the ordinary necessities and comforts of life. Incomes which are much in excess of this properly irreducible minimum are subject to another rule.

May I say parenthetically that the great majority of the people of Canada are not receiving incomes sufficient to enable them to obtain the ordinary necessities and comforts of life. However, that was the Prime Minister's proposal in the radio addresses. Those addresses have gone far and wide, but how does the Prime Minister now implement the suggestions made in those addresses? He or the Finance minister brings down a provision for a surtax on large incomes. I need not read the table, but the surtax in the case of incomes over \$5,000 but not exceeding \$10,000 is two per cent, and from \$10,000 to \$14,000 three per cent, and so on up to incomes of \$200,000 which pay a surtax of ten per cent. These sliding scales or percentages may look all very well on paper. It is quite true that the man with a large income pays a larger surtax than the man with a small income. Bu†