

done months ago, that it is months late. In effect the minister admitted this, because he said these policies—

—take some months to show their effects on excessive purchasing and the rise of prices, but already one begins to see evidence of their influence.

I devoutly hope that is true. The minister did not tell us that due to the delay in the application of the regulatory measures which the Bank of Canada was set up to exercise, some \$400 million of new money was created through bank loans during those months, and this money went into competition with salaries, wages and other income, thereby helping to boost the cost of living. In passing I must say that the chartered banks are not to blame for this. Their business is to lend money to credit-worthy customers. The policy of restriction is up to the government through its agent, the Bank of Canada. I think the best we can say for the minister is "better late than never".

The next weapon the minister told us he had was that of economy. He told us, not without some pride, that he had been able to save \$35 million out of a non-defence expenditure of \$2,036 million. The *Winnipeg Free Press* has dealt with this matter fairly faithfully, and I think it would be better to use their words than my own, because they would be less prejudiced.

After praising the minister for his "pay-as-you-go" policy the *Free Press* says:

But if the underlying truths of this budget are examined it will be seen that the government's courage has outstripped its sense of reality. The budget in fact is a contradiction. Mr. Abbott stated the issue with clarity but he did not face it. "Two great issues face the world today," he said, "They are the pursuit of peace and the control of inflation."

And the *Free Press* continues:

The budget itself contains no answer. Of the total outlay of 3,700 million dollars, expenditures on defence will be 1,662 million. This represents the pursuit of peace and is not to be criticized. The balance of 2,036 million represents the other of Mr. Abbott's great issues—the control of inflation. This vast outlay is for non-defence, for government services of one kind or another. How great it is may be gauged by the fact that in 1945-46, the first year of peace, the corresponding expenditure was only 1,062 million dollars.

Further, in the same editorial the *Free Press* said:

Mr. Abbott had a great deal to say about economy. But the government's achievement here was only 35 million out of 2,036 million—virtually total failure . . . for the time being the government is trying to avoid a choice and to go on meeting the claims of peace and of war. The results are clear enough. The cost of living index stands at close to 180 . . . Instead of making the choice the government in the present budget is temporizing and hoping by the higher taxes and other measures to hold the inflation in check . . . but the issue remains . . . no government can

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continue to throw oil on the fire with one hand and keep down the flames with the other.

My comment on the \$35 million is that, if the supplementary estimates are taken into account, the \$35 million saving will, I fear, disappear and be replaced by an opposite figure, I would judge, considerably higher.

The truth is, of course, that the Minister of Finance (Mr. Abbott) has not had to face economy. We have allowed him to take money enough to get along easily. We allowed surpluses without demanding any plan for debt retirement in advance. As a result, the minister found himself for years with hundreds of millions of dollars up his sleeve. What chance of real economy is there in a situation like that?

The government's third instrument is instalment buying which I have already mentioned. I merely repeat that the legislation passed last September was ineffective, as well as the regulations, but that new regulations and new legislation are being brought forward.

We now come to a new and interesting remedy, namely, a new depreciation regulation which is described as a "stiff deterrent" to expansion. The right to charge depreciation is withdrawn on a wide range of production, in respect of capital assets acquired after April 10 last. Certain classes of capital goods are excepted automatically and certain additional classes on the certificate of the Minister of Trade and Commerce (Mr. Howe).

This regulation invites comment. First of all, I think it can be described as an indication of the final break with the inflationary expansionist policy. Instead of double depreciation, we now have depreciation withdrawn for four years as a "stiff deterrent". We have gone from one extreme to the other. I think we must admit that the boom assisted by government action had grown so acute that something was needed, and this novel expedient may do good. But what an irony! Three years ago, double depreciation; now, depreciation cut off for four years. It may, I fear, cause hardship to those whose business demands expansion, unless they can come within the excepted classes, because it will greatly increase their taxes.

Another unsatisfactory feature is that this means more power gravitating to the Minister of Trade and Commerce. I am not going to go over what I have said on that subject before, and which I know he likes so much to hear. But it is interesting to find the *Montreal Star*, which has not been niggardly in its attitude toward wide powers to the minister, now saying:

The scheme is not going to be easy to work out and it may work out in many instances unfairly.