

The Budget—Mr. Rynard

In the present circumstances, it is impossible to anticipate all the consequences of this tax, immediate as well as long term. I dare hope the Carter commission whose report cannot be long delayed, will not present such a recommendation to the federal government. For the time being, the financial world is awaiting this report with some apprehension and fondly hopes that fiscal reforms will not be carried out in this direction. Furthermore, it must be kept in mind that if capital gains are taxed, capital losses will have to be eligible for deductions. What would be the final yield of this tax, and is it worth implementing?

In closing, Mr. Speaker, I should like to quote a few lines from President Johnson's economic report for 1965. I believe they could also apply to this country.

We must strive to make our society not only prosperous but progressive; not only affluent, but humane; providing not only higher incomes but greater opportunities; with its members enjoying not only full employment but fuller lives.

[*English*]

Mr. P. B. Rynard (Simcoe East): Mr. Speaker, first of all I should like to congratulate the Minister of Finance (Mr. Sharp) on his appointment to the important post he now holds, and to say how fortunate he was that the Conservatives had the red carpet rolled out for him before he took office.

● (3:50 p.m.)

One of the most disturbing statements we hear today is with regard to our dangerously high mounting deficit, combined with high taxation and the high cost of living, all this occurring in a boom era of prosperity. For the record it is probably good to go back and examine the situation which existed in 1956 because it had certain characteristics akin to the present.

In 1956, the last year of the St. Laurent government, we had a trade deficit of \$728 million. This meant that in the markets of the world we were buying \$728 million more in goods than we were able to sell. We also owed just under \$700 million in interest on our debt and in dividends, all of which we were paying out, which gave us a total deficit of \$1,330 million.

In 1962, which was the first year in nine years that we were able to sell more in the markets of the world than we bought, we sold \$127 million more in goods than we imported. This trend continued, and that is why I say

the government is very fortunate that the Conservatives rolled out the red carpet for it.

I see the Minister of Finance (Mr. Sharp) is smiling and I know why he smiles. The following year we were able to sell \$500 million more in goods than we brought into the country. Compare that with the present. It is a disturbing fact that in 1965 our surplus balance of trade had dwindled to just over \$100 million. In spite of the fact that we sold \$1 billion worth of wheat we were only able to sell a little over \$100 million more in goods than we bought. It bothers me, not in a political sense but for the sake of the welfare of Canada, that despite all the boom selling of wheat we had a trade surplus of just a little over \$100 million. I am sure this must be of concern to all parties in the house.

But what is more frightening still is that our over-all deficit, including interest, dividends, etc., climbed to \$1,237,000,000. I say it is all the more frightening because the United States is putting a limit on American funds available for foreign investment and wants more of its subsidiary investments to return home.

It is also frightening to note that we increased our imports by 12 per cent but increased our exports by only 5 per cent. Where would we have been if it had not been for that \$1 billion worth of wheat represented by the sales to Communist China and other Communist countries pioneered by the Conservative minister of agriculture, the hon. member for Qu'Appelle (Mr. Hamilton) in the midst of Liberal criticism?

Most of the goods we export today are raw materials or semi-processed goods which require just a small labour content. The raw product we export provides work for one man whereas the finished product would require the work of three skilled people. Furthermore, Mr. Speaker, in many cases we export the raw product and import the finished product back to Canada. Most of our import bill is still made up of purchases in the United States of goods of a class or kind which we manufacture in Canada or could manufacture in Canada.

The point I want to make is that the flow of American capital is being cut down. What has the minister done about this? Does he think that increasing taxes will solve the problem? I do not think so. I think the minister will agree with me that taxes in Canada must be lower, both on productivity and on income, than they are in the United States in order for us to meet the competition