Mr. Bigg: Are you still remembering your first budget?

Mr. Gordon: There is that old voice again. It sounds like the cracked record I remember so well. I can only suggest that one of these days somebody should buy him a new one.

We shall have a better idea a year or so from now about the present budget, because it is really only in retrospect that one can properly assess the wisdom of any particular budget. In the meantime I wish the minister every success and a calm, quiet, but interesting life.

Before discussing some of the matters dealt with in the budget I should like to remark how very fortunate we are in Canada, at the present time at least, compared with people in other countries. It is now five years since the current upswing began. Unemployment is down, on a seasonally adjusted basis, to about $3\frac{1}{2}$ per cent of the working force. It is still higher than this in the Atlantic region and in the eastern part of Quebec, but in some parts of Canada there is virtually no unemployment. This a matter for great rejoicing.

Most people are busy, and most people are prospering. It is quite true the cost of living has risen, but compared with the experience in other countries prices in Canada over the last few years have been relatively stable. Certainly the standard of living of most Canadians has increased at a much faster rate than the cost of living.

Consumer prices increased sharply after world war II and again after the Korean war. Since then, that is in the following 14 years, consumer prices increased by about $1\frac{1}{2}$ per cent per annum, and I suggest that this record should be examined in the light of two factors in particular. The first is that the price indices do not reflect accurately or completely all the changes in quality and service that are now included in the things we buy. There has been a real increase in the cost of living over the past 14 years, but it has been less than the indices purport to show.

The second factor to remember is that prices have gone up much faster in every other country, with the exception of the United States, than they have in Canada. Our economy, as we know, is one of the most open in the world. We import a substantial proportion of our needs, and so it follows that some of the effects of price increases in other countries are bound to be reflected in the cost of the goods we import. I suggest that when these factors are taken into account we can claim that our record over the past 14 years has been a good one, relatively speaking.

• (4:00 p.m.)

Last year, that is in 1965, the consumer price index went up by 2.4 per cent. This is higher than normal. This increase was due partly to increases in food prices caused by drought conditions at the beginning of the year and partly due to shortages of meat products in the United States which pushed prices up. It also was due in part to increases in automobile and health insurance premiums; this contributed to the over-all increase in the indices in 1965. But what is of concern now is the rate at which some prices are increasing at the present time. This especially is true in the construction industry and in some sections of the manufacturing industry where the demand has been exceeding the available supply.

The minister has proposed a series of measures which are designed to restrain moderately the present rate of capital spending, especially in the private sector. He has proposed a form of forced savings for corporations, through a special tax of 5 per cent, on adjusted net profits, which is to be refunded with interest some time during a period of 18 to 36 months after the time of payment. I believe this is a novel and interesting idea.

I was somewhat amused that both the hon. member for Perth (Mr. Monteith) and the hon. member for Nanaimo-Cowichan-The Islands (Mr. Cameron) criticized this policy, the one because it is a new idea and therefore suspect, and the other because it is not exactly the same as the measures followed in Sweden. Hence it does not quite fit the views of all good socialists who, after all, venerate Sweden almost with idolatry at times, despite the fact that both the character of that country and the nature of its economy are quite different from that of Canada.

The minister also has proposed fairly stiff reductions in the rates of capital cost allowances. The previous rates were designed to amortize the cost of capital assets over their useful lives and at the same time provide what in effect was a subsidy to businesses in financing their capital expansion programs. Under present conditions, especially if we think these conditions are likely to continue for some time, it is reasonable to withdraw or reduce the subsidy element in the existing capital cost allowance rates for many companies.