

BUDGET REINS TO BE TIGHTENED

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Our public debt charges are increasing. The costs of our own operations increase as prices and wages increase and certain of the benefits we pay, such as veterans' disability pensions, must in all fairness be adjusted from time to time. Ever with no new programmes or major improvements, our expenditures must rise substantially and absorb most of the growth to be expected in our revenues. Yet a minimum of new programmes and projects is necessary if our policies and actions are to meet the needs of a changing economy.

We are determined in our present review to screen out obsolete expenditure programmes that cannot be justified in present circumstances. My colleague, the President of the Treasury Board, later in this debate will be talking about the efforts which have been made and the successes which have been achieved. We are determined to wield the knife on everything which we feel has low priority in whole or in part. We are making real progress, but we will continue to be engaged on this task for weeks to come before we present the Estimates to the House. Decisions already taken have required departments to postpone or eliminate many items that may be desirable but which must take second place to our other objectives. Already the Treasury Board has eliminated \$650 million from the total amount requested by departments and agencies, and that is not the end. The President of the Treasury Board is grateful to those ministers who are responsible for the spending departments for the co-operation they have extended to him....

REDUCING BUDGET DEFICIT

The Government's objective for the next fiscal year is to reduce the budget deficit substantially below the level of the current fiscal year. I am not talking about savings here; I am talking about our objectives in terms of budgetary policy. As I say, our objective is to reduce substantially the budget deficit in the coming fiscal year. From both a financial and an economic point of view, I believe this will be necessary next year unless there is a major change in the economic prospects for that year. We shall aim to produce at least a balance in the Federal Government's revenues and expenditures in terms of our national economic accounts. Such action is neces-

sary to exercise the fiscal restraint on the economy required to check the inflationary price and cost increases now taking place.

INDUSTRY CO-OPERATION SOUGHT

I doubt, however, that even the most determined action on the part of the Federal Government will be sufficient in itself to arrest the kinds of inflationary price and cost increases that are now taking place. I am confident that we shall be able to secure the co-operation of the provincial governments in a similar effort through the consultations that we have with them. I wish to remind the House that the scale of spending and the scale of borrowing of provincial and municipal governments has exceeded that of the Federal Government this year, and even more so in the past year. When we in the Government and Parliament of Canada have taken the fiscal actions that we should take, then I believe they should be supported by a determined campaign to achieve by voluntary action a large reduction in the rate at which prices and costs are increasing, including wage settlements. I know this will be extremely difficult in an economy like ours which is so exposed to external influences. In the meantime, I should hope that both industrial and labour groups would be considering and discussing among themselves and discussing with governments how best such a campaign might be organized to preserve Canada's competitive position in the world.

We must, of necessity, restrain our demands on the capital market. It is essential that we hold our Government borrowing requirements next year, apart from what may be needed from time to time for exchange purposes, to a total less than we are borrowing in this fiscal year. To accomplish this objective, it will be necessary to reduce some of our lending operations, such as those for housing loans of a type that could be financed in the market. Our specific plans in this respect will be worked out in the capital budgets of the various agencies involved. Our objective is clear and I am confident that it will be attained.

At present, the proper course remains to proceed with the tax measures I placed before the House in June. The removal of the sales tax on production machinery and equipment is an important measure to help achieve lower costs of production, and investment in such machinery and equipment is in fact a high priority objective. The removal of the sales tax on drugs does not involve a major loss of revenue and is part of a concerted plan to bring down the cost of drugs in Canada. It should go ahead now....
