deal if he gets more production. He is endeavouring to put the lid on the prosperity and well-being of this country in order to ward off inflation. What the minister wants above all is production, and I am pointing a way for him to get production. Does he want theory? All right. If he wants fairness and equity to a certain degree, all right; but what we are after is production. If the minister thinks there is any doubt in my mind as to which of the two should prevail, I will tell him it is production.

Mr. ILSLEY: I will take fairness.

Mr. JACKMAN: I wish the minister would make up his mind whether he wants the production of goods and services to give our people a better life, or whether he wants to keep down production by taking away incentive.

Mr. MACKENZIE: It is the very opposite.

Mr. JACKMAN: I should be delighted if the Minister of Veterans Affairs (Mr. Mackenzie) would make a contribution to the budget debate in due course. In the six years I have been in this house I have not heard him make any contribution to any budget debate.

Mr. GARDINER: You make a better speech when you are not reading it.

Mr. JACKMAN: We all do that. Sometimes we must refer to our notes; otherwise we should not get as much in. Apparently the minister is following the advice of two sets of brain-trusters who never before have run the economy of a state and just do not know what makes the clock tick. Let us sympathize with the minister in his desire to keep inflation from manifesting itself; which is at the root of many of the government's contradictory policies. Inflation is with us, owing to the inevitable economic sins in financing the most costly war in history. The production of more goods over which to spread the available purchasing power is all to the good, though there are good authorities who believe that by the very process of enlarged production the purchasing power thereby created will aggravate an already strong and inevitable inflation. If there is a way out of inflation I hope the minister will show it to this house. Whatever may be the financial effects of increased production, we know its social effects are wholly good; the more goods and services that are produced, the more there is to divide among our people and the higher the standard of living

The minister asked if I could give him any suggestion in lieu of increasing the exemptions. Here is one which I offer to him, which I think will help production and help meet the inflation problem. It is my recommendation that some different way must be found to raise a good part of the national revenue, other than that of discouraging enterprise and work. I have already quoted Sir John Anderson's view in that regard. I am not suggesting here that any great part of the load may be dropped; but there is a right way and a wrong way to harness a horse; a man can pull more than he can push, and he can pull more on wheels than he can drag on the ground. To tell a man, whether he wears a blue collar or a white collar, that he will earn less per hour for overtime, because of taxation, just does not work.

While there are some arguments against the extension of the sales tax, there are few when food, which bulks so largely in the average housewife's expenditure, is exempted as I recommend. Very few of our people to-day know there is already a sales tax imposed at the wholesale level. Such a tax does not discourage the worker from working, and there is fairness in a tax policy based on the principle that the more one spends, the more one pays. There is nothing obligatory about paying a tax if one does not purchase; but unfortunately the great growth in instalment sales in normal times is a clear indication that most people will spend if they have the money, and even when they have not. Let the worker have more take-home pay if we are to encourage production. Other indirect or non-incentive destroying taxes must be found if we are to keep our economy in high gear. I may be asked, how does it help in what way we pay our taxes, when they have to come out of the same pocket anyway. The answer is that under the present system the pocket is only half full because the high individual tax rates discourage work, enterprise and production. Under a system such as I propose the same amount of taxes would have to be paid, but we would have fuller pocketbooks out of which to pay them.

May I now say a word on the effects of the government's monetary policy and deficit financing. The pumping of money into the circulation system has had the effect of lowering interest rates. Just as everything goes up in price when there is more money than things to spend it on at the old price level, so bonds went up in price because people had to invest their money somewhere and there was little else to spend it on. The government encouraged us not to spend, anyway. Of course this form of inflation was all right because the