

home pay" and should also have given some relief now to business from the excessive burden of taxation. In failing to give this relief now, the minister has closed the door to the only important stimulus to insure production at reasonable prices and also to maintain a high level of employment and national income, which are so essential for sound reconversion and stabilization. Last year the Minister of Finance stated:

During the war there has been built up a system of taxation which is discouraging to investment, to enterprise and to consumer expenditures . . . I recognize that in the course of six years war-time taxation has begun to blunt incentives, and if continued indefinitely will paralyse the development of industry and trade.

He went on to emphasize:

. . . the great and harmful effect which our present high personal income tax is having in discouraging work and initiative in all groups at a time when we need a rapid expansion of employment and a willing mobility of labour.

Believing this, why has the minister not the courage to act on his own convictions? If he believes in production, why continue to blunt the incentive and aid in paralyzing the development of industry and trade, and continue the great and harmful effects of the present high income taxes?

The minister is so imbued with the danger of inflation that we have these timid proposals put forward in the budget. On the other hand, the minister thinks he is taking a great big chance, for in the final quarter of the fiscal year he is going to reduce taxation. Is it not true that the high taxes on corporations and the present labour unrest are a great detriment to production? That vital fact has been demonstrated in industries such as building supplies. Increased production means the use of more than one shift and possibly overtime. What industry is going to run itself into the ground, wear out its machinery and depreciate its assets by a two or three-shift operation under present circumstances? What industry is going to exhaust its resources for the sake of paying excessive taxes? What incentive has a workman to work full time when he receives so little extra "take-home pay"?

The excess profits tax may have been justified in war time when it was operative because of the patriotism and war spirit which then prevailed. In those days the people were not interested in making money; they were interested only in turning out goods because they knew that if supplies were not forthcoming for the allies they would not have to worry in the future about what would happen to them. As I say, the excess profits tax may have been justifiable in war time, but it is folly to encourage waste and to encourage extravagance. The

minister knows that as well as I. If this habit of waste and extravagance is continued it will put Canada and Canadian manufacturers in an unenviable and disadvantageous position in the markets of the world when competing for foreign trade.

Furthermore, in a growing country like Canada such a policy hampers to a great extent young growing businesses. It is also grossly unfair to certain industries which put up with it during the war for patriotic purposes and who, through no fault of their own, experienced abnormally low profits during the basic period 1936-39. Is it not obvious that a sizeable reduction in the tax of the workers would mean an immediate increase in "take-home pay", which in turn would mean an immediate increase in the amount of pay that could be taxed?

Such a policy would have a tremendous effect in discouraging strikes. If there had been a sizeable decrease in the taxation on those men who are making reasonable salaries I doubt very much if the Minister of Labour (Mr. Mitchell) would have had to put the steel works under a controller.

The cost of living has been rising steadily, which rise stems from the withdrawal of subsidies. These subsidies have been paid for by the workers themselves; they provided the subsidies. To my mind, the tax proposals proposed for three months of next year would no more than balance the practical increased cost of living, not the theoretical increase. A sizeable decrease in taxation of workers would stimulate production. It would provide some incentive and give some hope to the workers of earning a decent living. It would increase the national income and the revenue therefrom.

I realize it has cost a lot of money to fight this war, to preserve our freedom, and we must pay for it. That may take more than a generation; certainly it will be more than one short year before we can expect any great decrease in our taxes. But this is no time for timidity; bold action is required. The minister and his bureaucrats are imbued with the fear of inflation, or perhaps I should say the theoretical danger of inflation because there is still the law of supply and demand. The people of Canada are beginning to see the results of this two-faced product, the budget.

The answer to inflation is greater production, and our object in Canada should be to use every means possible to produce the goods that are wanted, to produce them in greater volume so that there will be more goods at reasonable prices rather than fewer goods at high prices. That was the advice given