

*The Budget—Mr. Yanakis*

In the same fashion, and with the further purpose of stimulating higher productivity, the Minister of Finance has made a distinction between production machinery, on which the tax is to be eliminated by stages, and building materials which could scarcely be cheapened without stimulating an already excessive demand. The minister dangles an effective carrot; the longer business waits, the cheaper the final investment.

General praise has been accorded the Budget. There has been commendation of the removal by stages of the sales tax on production machinery. The personal income tax changes, with small reductions for low income earners, were described as a move in the right direction by the Canadian Labour Congress. As far as manufacturers are concerned, it has been called a "groan today, grin tomorrow" budget. Mr. Fred Samis, general manager of the Canadian Electrical Manufacturers Association said that the budget has put his industry in a more competitive position in foreign markets.

The tariff changes in the budget drew approval from the Canadian Importers Association. A joint statement by the Canadian and Montreal Stock Exchanges said that the elimination of the withholding tax should relieve our balance of payments situation by making bonds more attractive to foreign investors.

The Minister of Finance has explained that his budget was designed to slow down but not halt the boom; to reduce the inflation factor in the increase in the gross national product; to steady the headlong Canadian course by cutting the amount of money individuals and business would have to send chasing after a short supply of labour and materials.

Federal, provincial and municipal governments will all find it easier to borrow money with the removal of the 15 per cent withholding tax on interest payments to non-residents on securities of Canadian governments. It is hoped that the change will enable some borrowing to be done in Europe.

In his attempt to use the budget as an important factor in influencing the economy on a short-term basis, the minister has fashioned a new tool. The compulsory savings plan for large businesses could, in theory, give the government the means to help decelerate or accelerate the economy at very short notice. As far as is known, the scheme is unprecedented anywhere. If the plan works, a

considerable step forward will have been taken toward the goal of managing the economy, so that the peaks and valleys of boom and recession are levelled out.

In the past, Mr. Speaker, ministers of finance have shared a certain resignation towards economic fluctuations. They believed that prosperity and recession came in cycles. These cycles might be influenced here and there, but they were like a solemn law of nature, not really to be avoided in their inevitable succession. Now, however, a new kind of hope is being entertained. The economic upswing has continued longer than anyone expected, longer than anyone thought possible. The hope grows that perhaps it can be kept growing indefinitely.

Most business executives agreed that the budget was the best statement of fiscal policy to come from the Liberals since they regained office in 1963. A typical reaction was that the refundable tax would help to dampen the leading edge of the boom without destroying it.

The Canadian Chamber of Commerce was generally favourable toward the budget and the chairman of its executive council said:

The budget recognizes that the economy's thermostat has been set too high, and appropriately and realistically calls for some measures of restraint to bring about a better balance of supply and demand.

The Canadian Manufacturers' Association called the levy imaginative. They said it was designed to meet current circumstances, and although it will not be liked by those affected it is much to be preferred to a flat tax increase. By providing for interest on the refund, the finance minister has demonstrated that he believes the modernization program of industry must only be reined in while inflation is a threat.

• (4:40 p.m.)

The Budget generally found favour among Canadians, because the minister was not a victim of those who have been trying to press the panic button on inflation; because of the reduction in taxes on low-income groups as a step in the right direction in the war on poverty; because of originality in the conception of the 5 per cent refundable profit tax, and because of specific measures such as the removal of sales tax on production machinery.

[*Translation*]

Mr. Speaker, that is my modest contribution to the present debate on the budget