

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT  
OF THE MINISTER OF FINANCE

The house resumed from Thursday, June 27, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Mr. J. M. MACDONNELL (Muskoka-Ontario): Mr. Speaker, when I made the other evening my few preliminary observations, I said that the budget was a monumental work. I realize much more now than I did then the truth of that statement, and I should say at the outset, that I may have to avail myself for only a few moments of the latitude which I believe is given to a speaker on this occasion, namely that of exceeding the usual forty-minute speaking time.

I do not believe that the government will use this budget as its ace of trumps when the next election comes. It becomes more and more clear that there is great disappointment, some of it from very unexpected quarters, and I submit that that is not surprising. It actually takes the eye of faith to see any relief coming to the taxpayers at all. It has been well remarked that this is not a budget for 1946, but for 1947. And, indeed, the individual taxpayer will not find any change in his situation until he begins to make out his tax return early in 1948. In other words his 1947 bill would be the same as it would have been. This disappointment is accentuated by reason of the fact that it was believed—rightly or wrongly—that hints of imminent reductions had been given from rather august quarters.

If the taxpayers had read the budget carefully enough to find in it the minister's statement to this effect, that "lighter taxes are not needed now for the purpose of permitting or encouraging additional private spending in order to maintain employment this year," I think their disappointment would be much increased. Because I believe they would feel that the minister has treated their urgent necessities in a very casual and impersonal way.

If by reason of the minister's action the budget had been balanced, of course that would have been a horse of a different colour. I believe the people would have been prepared to carry their burdens if the budget had been balanced, and they had been able to look forward with the degree of hope that that would have given them. But although the minister has presented to us an estimated deficit of \$300 million I believe he must have

had a very difficult job in making himself believe that that was a realistic picture of the situation.

After congratulating himself upon this \$300 million which, as he indicated, was somewhere in the neighbourhood of a ten per cent deficit, he used these words:

This year we must finance not only the anticipated deficit of \$300 million but also the large programme of loans, advances and investments which, as I have already indicated, may involve in the neighbourhood of one billion dollars.

In this connection I venture to recommend to the minister the remarks of one of his predecessors in office, the Hon. Charles Dunning, who, speaking some ten years ago, criticized what he called the bridge-score method of accounting, so much above the line and so much below the line. And Mr. Dunning added:

If the people of Canada are fully aware of all the facts I am confident that they will support us in the steps necessary to achieve that balance of government resources and expenditures which, in my opinion, cannot safely be postponed much longer.

It seems like reading of a different world to read of a world in which that was immediately expected. I doubt myself if the minister was very happy in entirely ignoring these large additional amounts when he gave us his estimated budget deficit. He comforted himself by speaking of these export credits as—

—from the economic point of view replacing our war expenditures by government investments on which we shall earn a return in future years.

Now, however correct this may be in a narrow technical sense, nevertheless when we take cognizance of the history of loans of that kind in the past, and especially after the last war, it was a surprise to me that the minister was prepared to regard these as active interest-bearing assets. I doubt if anyone in private business would dare to say that. Undoubtedly any private corporation under such circumstances would have had to do one of two things; it would either have set up a reserve, if resources permitted, or would have to proceed to charge itself so much, year by year, towards anticipated possible losses.

I think I am correct in saying that the minister last year informed the house that substantial losses might be incurred from this quarter. Reverting to my illustration, may I say that any corporation which acted in that way would find itself speedily in the hands of the receiver. And this is not the whole story. I shall mention to the house later that it seems to me the minister is prepared to proceed with deficit financing on a big scale.