Let me say in conclusion that the Canadian people would face the future with greater confidence if, before the house adjourns, the government were to declare that living costs would be stabilized; that measures would be taken to that end so as to prevent this growing and increasing burden on the lower income groups. I say the people would have had greater confidence if the government had proclaimed that in the event of actual shortage all would receive their fair share, and that no one because of wealth would receive an unfair share of goods in short supply.

Instead of that members of the House of Commons will return to their constituencies to face rising living costs, shortages, and a future of uncertainty. I am sure that before many weeks or months have passed time will prove once again that the proposals of this group in the matter of taxation, price controls and subsidies are sound and necessary if the best interests of the Canadian people are to be served.

Mr. Victor Quelch (Acadia): Mr. Speaker, I do not think it can be argued that the taxation proposals will overburden anyone. On the other hand I do not think it can be said that they make possible a proper distribution of the burden.

We have been hearing a great deal of talk here about the need for a pay as you go policy. We heard exactly the same kind of talk in 1939. As the leader of this group pointed out, there are two interpretations of a pay as you go policy. On the one hand, it may be interpreted as a policy under which Canada as a nation will not go into debt to any other nation. On the other hand, it may be interpreted as meaning that the government will balance their expenditures with their revenues and not increase the national debt.

We know that during the last war we adopted the former policy, that is, we adopted a pay as you go policy in the matter of non-expansion of our external debt. But on the other hand we did increase considerably our internal debt. Personally I do not believe that you can fight an all-out war without some increase in debt. It may be possible in the initial stages, but eventually as the war takes a larger and larger percentage of the total national production you are bound to have an increase in the national debt, if for no other purpose than to drain the surplus purchasing power from the channels of purchasing power and hence stop inflation.

But when you find it necessary to increase taxation further in order to withdraw surplus purchasing power from circulation it is essential that you bring about an equitable distribution of the debt claims in the country. That is something we have not provided for in the past. I recall that in 1939 the governor of the Bank of Canada stated that the national debt was a national asset and therefore we should not be greatly concerned about it. It is true that the national debt may be called a national asset to the extent that the people hold the debt claims against the nation, but when you have a situation such as we have had in the past, where a small percentage of the people hold a large percentage of the debt claims, you have an unequal distribution of the asset. While it may be said that the national debt is a national asset, what actually is the fact is that a small percentage of the people have it as a national asset, while it is a liability of all the people. You have to tax all the people to pay interest to a comparatively small number of people. Unfortunately the system of financing that we adopted during the last war aggravated that position. I recall a return tabled in this house stating that less than one per cent of the subscribers to war loans had purchased over sixty per cent of the total, indicating that the holdings against the national debt were distributed in a most inequitable way.

I think all hon. members will agree that there should be no profiteering in war. But when we say that there should be no profiteering we do not mean to say that there should be no profit. So long as we are under the capitalist system, so long as we are under the profit system, we believe that every producer should be allowed a fair profit, and that fair profit should be allowed whether the producer is producing consumer goods or war materials; otherwise there would be rank discrimination. It would be hard to get people to change from the production of consumer goods to the production of war materials if they were to be denied a profit. To my mind that would be nonsensical and that is why we oppose the proposition to nationalize the production of war materials on the ground that the producers of war materials are not entitled to a profit. I submit that the producers of war materials are just as much entitled to a profit as are the producers of consumer goods.

We support the motion to impose an excess profits tax in order to eliminate profiteering at this time. I think the government are making a great mistake in not imposing an excess profits tax right at the beginning of hostilities so as to assure the people of Canada that we are not going to allow profiteering.

I would say that the essentials of a sound policy are that taxation should be on the basis of ability to pay, with exemption from taxation for those in the lower income groups. Then as war takes an increasing amount of