

The Investment Dealers Association had some interesting observations to present. Its representative said, as reported at page 482 of this report:

... continually rising prices—or the expectation or rising prices—stimulates spending and discourages the saving needed to finance the new and productive capital equipment on which a rising standard of living depends.

My next quotation is from the submission of Mr. Coyne, Governor of the Bank of Canada, as appears on page 482 of the report. Mr. Coyne said:

... I do not believe there ever has been or ever will be creeping inflation for any length of time. I think it will either break into a gallop or lead to a collapse.

On page 483 of the report there is an interesting reference, to the question of further increases in Government expenditures, to which I have already referred to some extent. There is of course reference to the fact that people today are reluctant to invest in bonds, and prefer investment in stocks and equities. At the bottom of page 483 Mr. Gibson is quoted as saying:

... There is the danger that fear of inflation will set the groundwork for a serious recession. Sooner or later stock prices may get so high in relation to corporate earnings and bond prices that a marked reaction may set in. People may suddenly realize that things are getting out of proportion. This is all the more likely if fear of inflation leads to ill-considered capital investment in some directions or to unnecessary accumulation of inventories.

The conclusion to which I come, and I believe it is our unanimous conclusion, is that we have at our disposal the necessary tools to fight inflation; that it would be a great mistake to create, so to speak, a psychosis of inflation; that we must continue to have confidence in our country; that our rhythm of development has excelled that of any country in the history of the world; that such a development is bound to continue if we do our duty, if we practice economy, and if we all try to co-operate and work together, putting above any party consideration the well understood interests of our beloved country.

Hon. Mr. Macdonald: Honourable senators, may I adjourn this debate until later this day?

On motion of Hon. Mr. Macdonald, debate adjourned.

BUSINESS OF THE SENATE

Hon. Mr. Aseltine: Honourable senators, I have recently had a report on the progress being made in the other place. I understand they will be considering estimates until 6 o'clock, and will deal with legislation from

then until 8 o'clock. Therefore, I suggest we rise now until the call of the bell at approximately 8 o'clock.

The Senate adjourned during pleasure.

At 8 p.m. the sitting was resumed.

Hon. Mr. Aseltine: Honourable senators, I have been keeping a close check on the proceedings in the other house and it would appear that it will be 10 o'clock before we receive any legislation from that house.

Hon. Mr. Macdonald: Is that a guarantee?

Hon. Mr. Aseltine: In the circumstances I would suggest that we rise now, to reassemble at the call of the bell at approximately 10 o'clock.

The Senate adjourned during pleasure.

At 10.30 p.m. the sitting was resumed.

INFLATION

REPORT OF FINANCE COMMITTEE ADOPTED

The order having been called for resuming the adjourned debate on the motion of Hon. Mr. Emerson for adoption of the report of the Standing Committee on Finance on the threat of inflation in Canada, and the question having been put on the motion:

Report adopted.

INCOME TAX BILL

COMMONS DISAGREEMENT WITH SENATE AMENDMENT

The Hon. the Speaker informed the Senate that the following message had been received from the House of Commons, returning Bill C-48, to amend the Income Tax Act:

ORDERED:

That a message be sent to the Senate to acquaint their Honours that this house agrees to the first amendment made by the Senate to Bill C-48, an Act to amend the Income Tax Act, being an amendment to clause 18 of the said bill, but disagrees with the second amendment, whereby the Senate would strike out clause 19 of the said bill, for the following reasons:

1. The outright exemption of foreign business corporations from tax under the said act should not be extended to corporations which have not qualified or cannot qualify as foreign business corporations in accordance with the provisions of the said clause 19.

2. The class of tax-exempt foreign business corporations under section 71 of the said act should be closed pending a review of the position of such corporations and the value to Canada of permitting more corporations to qualify as such.

3. The said amendment of the Senate infringes the sole and undoubted right of the Commons to impose taxation; it alters the application of taxes and interferes with the public revenue.