slow down their investment appetite. They will have to pay the treasury a 5 per cent refundable tax on their gross profits. They will also be granted a partial or total exemption from the 11 per cent sales tax on some capital goods, provided they agree to postpone the purchase of those goods for one or two years. These two measures will certainly regulate the flow of investments.

According to two Quebec economists, Messrs. Claude Masson and H. Djahanbin, the federal budget is economically sound in the circumstances; more particularly, it has certain flexible fiscal provisions which can be changed if need be. The budget of the minister obviously carries an incentive to reduce the rate of expenditure so as to extend the period of Canada's economic development. The maintenance of the 11 per cent tax on building materials is justified, since this is the area of highest inflationary pressure for the time being.

The president of the Confederation of National Trade Unions, Marcel Pépin, said he was pleased the federal budget did not increase the income tax for those who earn less than $5,000 a year. He also added:

> It is a step in the right direction; soon, the taxable minimum will have to be raised.

All in all, the tax measures advocated by the hon. minister please the Labour Congress. That is the opinion expressed by the general secretary of the organization, Mr. MacDonald. He stated that the C.L.C. was very pleased to see the Minister of Finance was not a victim of those who endeavour to set off a general panic with regard to inflation. The union representative added that the minister's decision to reduce the taxes levied in the case of certain low-income groups was a first step in the war against poverty. Mr. MacDonald also said he was pleased with the initiative of imposing a special refundable tax on corporate profits. This measure will enable the government to plan certain long-term expenses. As far as the war on poverty is concerned, I dare hope that the Minister of Finance, in the obvious fight he is seeking to put up in order to maintain and distribute the national income amongst all classes of society, will find a way to provide for the most unfortunate class in Canada, that of people over 65 years of age, who now get a lean $75 per month. It should be possible to implement, in the near future, the recommendations of the report brought down by Senator Croll, and to guarantee $105 per month for persons who live alone, without other sources of income, and $185 per month for married couples.

To bring about a change in order to extend rather than to check the development of the country, this is the significant wager that the Minister of Finance was willing to take up. It is felt that the measures he proposed will reduce by one third of a billion dollars the amounts of money which Canadian businessmen intended to invest with a view to developing their businesses this year. This, in addition to the other deflationary provisions of the budget, will quickly slow down the accelerated pace of our economy.

Two measures which will indirectly have a favourable effect on our current deficit is the abolition of the 15 per cent tax on the sale of Canadian government bonds in the United States, and the fact that a great part of the production machinery, the purchase of which is prevented by the budget, would have been imported from the United States.

• (4:30 p.m.)

[*English*]

The government, Mr. Speaker, has introduced a budget to pace prosperity. The boom was getting out of control and the Minister of Finance (Mr. Sharp) initiated action on a number of fronts. To begin with, he has restored about two thirds of Mr. Gordon's short-lived income tax cuts of 1965. There are still some wispy concessions to persons in the lower strata; but for the most part, things are pretty much as they were in 1964. Second, the government has deferred another group of construction expenditures, with a total value of $34.8 million. At the same time it has promised to forgo new spending programs, except in emergencies, and has appealed to the provinces to exercise similar restraint, notably with regard to highway programs.

A third major measure is the refundable tax on cash profits. The minister hopes, by this device, to divert probably for 18 months a portion of the flow of business funds into capital expenditures. Two other changes announced are intended to check inflationary pressure by inducing postponements of the capital programs which are bidding up costs. The minister has decreased them selectively. The new restrictions will not apply to heavy construction equipment or to equipment required for long-term utility projects, but they will bear on such assets as buildings and machinery.