

Excise Tax Act Amendment

of the exclusion of certain articles under Bill No. 3, the embargo bill. Let me read that part of it:

A second reason for these taxes was to limit as far as practicable the degree of discrimination against regular suppliers in the United States and their dealer organizations in Canada.

Then I skip some sentences and read further down:

While the Canadian manufacturers are temporarily relieved of competition from the United States, their unexpected advantage is being at least partially offset by the effects of the special taxes. Without these taxes, prices of many of the articles affected could have risen a good deal, to the benefit of the manufacturers and distributors. As a result of the taxes, it is the public treasury that benefits.

In passing, I point out that this seems to assume there would be an automatic rise in prices; that it also seems to assume there is no competition in Canada to keep down these prices.

But I pass on to the third thing this resolution is, that is, a tax measure. Further the minister said:

Now I have emphasized that the main purpose of the new excise taxes is to save United States dollar exchange rather than to produce more revenue. At the same time, additional revenue will not be unwelcome for two good reasons. The first is that the new taxes will undoubtedly withdraw some purchasing power even if, as we hope, they lead to some reduction in purchases . . . The second is that our budget position, though good, is not as good as many popular reports would have it.

In other words, the third alternative view of this measure is that it is a taxation measure. Then, on February 24, at page 1542 of *Hansard*, in reply to a comment, I think by the hon. member for Moose Jaw, that the tax was inflationary, the minister said:

Now, with regard to the excise taxes being inflationary, I do not agree that they are inflationary. I think that they are just the reverse; that they are deflationary, if anything. One of the means of combatting inflation, when there is an excess of purchasing power, is by imposing taxes such as these that drain off purchasing power. Far from their being inflationary they will have, if anything, a deflationary effect.

It would ill become me, after what I have said in this house, to criticize the government for proper deflationary methods; but I suggest that the unfortunate individuals who are buying these goods would be considerably surprised and, I think, entitled to feel aggrieved if they found they were being made a special mark, a kind of special sacrifice, in the cause of deflation. That does not seem to me a proper way to deal with deflation, for surely it is a much broader thing than that. As I say,

[Mr. Macdonnell (Muskoka-Ontario).]

I think those who are paying an additional 25 per cent in the price of these goods will be anything but pleased to find themselves being made a kind of sacrificial offering in the cause of deflation.

There are one or two other points I should like to make, quoting again from the minister's speech of last December. He made a great point, and incidentally a point which I cannot understand, about this being an over-all tax and not a tax on the United States content of the goods. I had better read what he said:

Most of the goods subject to these taxes are produced in Canada in substantial volume and most of them have a significant United States dollar import content. The import of practically all these goods in finished form has been prohibited or placed under quota restrictions and substantial savings in United States dollars are expected to result from this action. The savings, however, would be considerably reduced if domestic production of the same type of articles were to expand to fill the gap in the supply, since this would involve further substantial imports of parts and components.

Then I would draw particular attention to these words:

It could be argued that a more effective way to check expenditures that involve a considerable import of parts and materials would be to relate the tax directly to the import content of the article concerned. But the objections to this type of action are conclusive. Taxes directly related to import content would be tantamount to sharp increases in the tariff and under the Geneva agreements as well as in our own longer-range interests we would not consider such a course.

I find myself unable to follow the minister there. It seems to me that to put a tax of 25 per cent on an article costing \$100 which has only \$8 Canadian content in it, is out of all reason. And I am utterly unable—and I shall question the minister later on it—to understand his reasoning here. I point out in particular that his reference to tariffs in connection with these articles seems to me to be quite out of place, in view of the fact that the finished products from the United States are being excluded by us, so that I do not think the tariff argument enters into the matter at all.

There is one other thing the minister says which I find myself quite unable to follow. He refers to small businesses, and says there would be a special discrimination against small businesses if that were carried out. He used this argument:

Moreover, such action—

That is to say, a tax related merely to the United States content.

—would represent an extreme form of discrimination against businesses which are in the early stages of developing their operations in Canada.