

The Address—Mr. Low

The last part of the paragraph I quoted from His Excellency's address is, I think, a complete misstatement of the fact. The fiscal measures to combat inflation which were adopted by the government have been a dismal failure in so far as controlling prices is concerned. Since the Minister of Finance (Mr. Abbott) announced the first of these fiscal measures, the cost of living index has zoomed up no less than 18 $\frac{1}{10}$ points. That, it seems to me, ought to be evidence enough that the government's fiscal measures have failed utterly to check the steady rise in consumer prices, much less to bring prices under control.

It is a fact that certain aspects of the anti-inflation program have contributed directly to higher selling prices, as well as to the highest cost of living index in our history. A case in point is Mr. Abbott's commodity taxes. He gives them that genteel name "commodity tax", but the fact is that they are hidden taxes. They are known by such names as the sales tax, the excise tax, and perhaps customs duties. By applying these taxes at the manufacturers' level the government pushed prices up. And that is not all; in many cases they pyramided prices beyond all reason.

I should like to point out to the house that the net effect of the 10 per cent sales tax is to cause the consumer to pay up to 60 per cent more in taxes than would be necessary if the same rate of tax were applied at the retail level. I am prepared to use specific examples which I have obtained from manufacturers to prove the case, if that statement is challenged.

I should like to repeat, because it is significant and important for the Canadian people to know, that the net effect of the 10 per cent sales tax is to cause consumers to pay up to 60 per cent more in taxes than would be necessary if the same rate of tax were applied at the retail level. That can be proved.

A look at the progressive rise in the cost of living index shows that immediately after the introduction of the 1951 budget, that is during the months of May, June and July when the budget provisions were being applied to the Canadian economy, the cost of living index rose by 7 points. The excise tax increases and the 25 per cent increase in the sales tax provided the main pressure for the price rise during those months; I think there is no question about it.

The government has chosen to rely almost exclusively upon taxation to combat inflation; and that in the light of the fact that many economic authorities think that taxation, unaccompanied by subsidies and, perhaps, rationing, cannot possibly check price rises under conditions such as those in Canada

today. This was drawn to the attention of the Minister of Finance during the budget debate last spring. I did so, and I recall that at that time other Social Credit speakers did so, and perhaps others as well. The Minister of Finance chose to ignore this fact, and proceeded to put his whole trust in his taxation measures. He created an extraordinary measure of discomfiture and suffering on the part of many thousands of Canadian people.

Another budget provision which has contributed to the increase in the cost of living since last spring is the unabated corporation income tax increases. The Minister of Finance was warned by a great many in the house that if an abatement provision was not provided, those corporations classified as utilities, such as railway companies, telephone companies and power companies, would be forced to apply for increased rates. The minister failed to keep his promise to insert an abatement clause in his budget. Consequently, almost immediately after the budget was introduced in the House of Commons utility companies did apply for higher rates, and gave as one of their reasons that they were forced to do so in order to pay the increased taxes imposed upon them.

Here again the Minister of Finance was hiding a tax so the Canadian people could not see it. That is, he simply compelled the utility companies to collect taxes for the government which the government was afraid to apply directly to individual citizens in this country. Increases in telephone rates, and in electric power rates as well as freight rates, do contribute to price increases throughout the country. They have already contributed to increased prices by the fact that the railways were recently granted a 12 per cent increase in freight rates.

Another way the government has contributed to the high cost of living is that it has failed to adopt an effective policy covering investment and expansion and development in Canada. At least some of the expansion and development of Canadian industry and resources during the past few years has had about the same effect on prices in Canada that war has had upon them. Whenever huge profits are plowed back into plant expansion without soon bringing an increase in consumer goods available to the people of Canada, it is inevitable that inflationary pressures are set up which push up the cost of living. The immediate effect of capital plant and resources development is to divert materials and power from ordinary consumers, and it raises either prices or taxes, or both. But of course development differs from war in that ultimately it does raise the standard of living, if the government does not discourage the