

The Budget—Mr. Benidickson

Minister of National Revenue (Mr. Nowlan). I recall that he participated very early in the budget debate last year, and I recall that one of the many statistics he used to buttress his arguments related to automobile production. Fortunately there has been some slight increase in the sales of automobiles in Canada as compared with last year. The statistics to the end of March indicated that the increase in the sales of automobiles and trucks combined amounted to 12 per cent. However, other members will have read, as I have, that the increase in the same period of 1959 in the United States amounted to 70 per cent. This extra purchase tax, therefore, is going to be felt very importantly in these constituencies where I think unemployment of late has been of unusual prominence.

There are a few items in the budget press releases that I feel are not properly understood by the people of this country. I suggest that one such item is the actual increase in the tax take which results from this budget. Prominence was given, of course, only to the estimated value of the extra tax revenue that would come from the new rates, but what was overlooked was the fact that because of the extra expenditures and the extra revenues, the total tax take predicted by the minister for the coming year is not up \$245 million but is to be up \$640 million. The minister felt justified in telling the house and the country he expected an increase in the gross national product, and he expected that might amount to \$2.2 billion. But I am sure any reasonable person today, with recovery not bouncing, would be wondering whether or not a proposal to take \$640 million by federal taxes alone out of this expected increase in the gross national product is likely to aid or abort recovery.

I said the other night that you get figures in a debate like this that have a bright side, and if they are unduly exaggerated or over-emphasized there is a duty to present as well some of those that are distressing and not quite so cheerful. I want to point out, with respect to the gross national product, that the minister has qualified his estimate in exactly the same words that he qualified his estimate last year. He said, and his assumptions are very important, that assuming normal crops, stable prices and no untoward external events, he predicted this year a 7 per cent rise. We recall the figures with respect to the minister's prediction of last year. He predicted an increase of two per cent, and it turns out that in dollar values the increase was 2.5 per cent. However, his white paper on financial results points out that 80 per cent of that increase came from inflated prices, so this is something to which we have to

give consideration when he estimates an increase in the gross national product.

Mr. Bell (Carleton): Did the hon. gentleman not suggest last year that 2 per cent was optimistic?

Mr. Pearson: And so it was.

Mr. Benidickson: I want to point out that based on his assumptions the minister proved to be wrong. Actually, the white paper establishes that Canada's living standards underwent a slight decline in 1958. Living costs outpaced small gains in wages, reducing real earnings for the first time in recent years. My hon. friend can calculate that from the white paper itself, I think on page 5, where it states that 80 per cent of the 2.5 per cent increase was due to inflationary prices.

I said the other night, and I think it is worth emphasizing, that in looking at this all-important figure of the gross national product it is very difficult to be as optimistic as one would want to be because of two particular elements that are essential to a steady rise in the gross national product. One of these elements is exports; the other is capital investment. Since the budget speech we have received the most recent issue of the *Financial Post*, a very reliable newspaper indeed. The *Financial Post* of April 11, 1959, has this to say about these elements:

Exports are giving more indications of receding from last year's high levels. In February, for example, Canadian goods sold abroad were off 11 per cent, after taking into consideration seasonal influences. It is unlikely that the full year will be down this much, but it is still hard for many producers to see any sudden upsurge in foreign demand for most Canadian source-related products.

This year's statistics, available only for the first two months, actually show that the trade deficit of this country is three times that reported last year. With respect to capital spending, another all-important element in the gross national product, the same issue of the *Financial Post* has this to say:

There is still no sign of a turnaround in capital spending by business. Year-to-year decrease for Canada for 1959 will be about 5.5 per cent. In the United States, by contrast, business plans call for 1959 outlays over 4 per cent higher than last year's.

I suggest to the minister that there is certainly no significant "oomph" in figures of this kind. In addition to that, in the private sector, according to the latest report I have from the A. E. Ames brokerage firm, reporting on corporation borrowings to March 23, it is stated that corporation borrowings in Canada, indicating capital investment intentions, are down 76 per cent, or are \$48 million this year instead of \$207 million last year.

[Mr. Benidickson.]