

*The Budget—Mr. Low*

Company, about which I spoke a few minutes ago, in a description of his Lincoln incentive system, says this:

Taxes increase the cost of everything we buy. We could call them all sales taxes for they are all charged against the cost of production and show up in increased price of everything the ultimate consumer buys. Only the consumer pays taxes in the final analysis.

The only difference in the effect of the incidence of various taxes is the amount of price increase that results. Some taxes pyramid prices and others do not. I was surprised, and I am sure that people from one end of the country to the other were shocked, when the minister announced a 25 per cent increase in the sales tax. It is perfectly clear from the speech of the minister that the government is using this tax for revenue purposes exclusively, and certainly not for its anti-inflationary provisions. I am thoroughly in agreement with those who say that there are other sources from which the needed revenues could have been obtained without in any way causing an increase in general prices. As the hon. member for Rosetown-Biggart said, the minister could have placed an additional levy on liquor and beer to raise the whole amount. That is one place where he could have got more money. By increasing the sales tax from eight per cent to ten per cent the minister has increased the hardship faced by many Canadian people and has definitely increased prices or the inflationary condition in this country.

Let us take a look at what some experts have to say about the sales tax. I have heard it argued right in this house that the sales tax does not pyramid prices and does not necessarily cause inflation. Dr. Carl Shoup, and his colleagues, Milton Friedman and Ruth P. Mack of Columbia University, in a study called, "Taxing to Prevent Inflation", published in 1943, expressed this view on page 89:

Both (manufacturers' and wholesale sales) taxes may result in some pyramiding; that is, the retailer and, under the manufacturers' tax, the wholesaler also, may apply their customary percentage mark-ups to a cost price that includes the sales tax, thus obtaining a profit on the tax.

I remark right here that the experience in Canada is that in periods when there are moderate corporation income tax rates and no excess profits taxes the sales tax at the manufacturer's level almost always results in pyramiding prices, which simply means that the consumer is forced to pay much more in additional prices than the dollar the government hopes to obtain from the tax.

Dr. Shoup conducted a survey of the general sales tax in France some years ago,

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and on page 323 of his report called "The Sales Tax in France" he says:

Many French commentators, more especially those not connected with business firms, believe that the buyer (wholesale or retail) raises his prices by more than the tax, the theory being that the business man sets his prices on the basis that his profits must equal a certain percentage of his expenses; and as the tax is counted amongst his expenses, the base on which the profit percentage is considered, is swelled. Hence, the logical conclusion, frankly stated, is that the imposition of the tax increases the businessman's profits.

Nothing could be more clear than that statement by experts who have spent a long time in a most careful and comprehensive study of the effects of the incidence of the general sales tax. Back in 1923 the Illinois and Indiana bankers association sent their tax counsellor, Mr. H. R. Archibald Harris, C.P.A., to investigate the Canadian sales tax. It is something when you get a bankers association investigating the effect of the incidence of the sales tax. They must have been quite concerned about the effect of it upon the ordinary people. At the time it was being proposed to impose a sales tax in both Illinois and Indiana. At page 35 of his report entitled, "The Sales Tax in Canada," Mr. Harris says this:

The so-called painlessness of the Canadian tax is costing the taxpayer about 40 per cent more in taxes than would be necessary if the tax were simply added on to the price which the consumer finally pays, instead of being put on the sales price of the manufacturer.

There you have a concise statement of the situation, and without question it is a true statement. That is one reason why I have always been opposed to a sales tax at the manufacturer's level. It definitely tends to pyramid prices and create hardship for people in the lower income groups. As an illustration of what the imposition of sales tax will do we have the announcement today by Imperial Oil Limited of an increase in the prices of gasoline, diesel oil, fuel oil and other oils, purely as a result of the imposition of the increased sales tax last week. That will increase prices and the cost of living to the Canadian people, as well as increase the cost of production to the Canadian farmer and those who use quantities of diesel and fuel oils.

When the minister asks himself and the Canadian people whether a threatened rise in price can be averted by additional taxation, let him re-examine the expert opinions I have just quoted. There is no doubt in my mind that under present circumstances the answer would be a resounding "No". I am definitely opposed to an increase in the sales tax at this time because it is inflationary and