

The Budget—Mr. Coldwell

effective to relieve the Canadian people from the evil effects of rising prices and uncontrolled inflation.

Prices have risen in a spectacular manner over the last six months, that is, since the minister introduced his interim budget last September. At that time we were told that some of the objectives of that budget were to minimize the inflation that was then quite in evidence and which has since gone much further. Indeed the last increase recorded by the dominion bureau of statistics was the highest in points in Canadian history. The index now stands at an all-time high of 179.7, as the hon. member for Greenwood remarked.

Of course the basic cause of inflation is excessive money, credit and purchasing power in relation to the goods and services available for sale or purchase. Another cause is that business, wholesale and retail, makes demands for factory goods and raw materials in anticipation of the development of shortages, because it believes goods will be in short supply. The result is that prices, particularly consumer prices, are pushed up unduly. We can add to this the belief, encouraged by the government, that price controls may be introduced and the determination that when they come some business will be, and I quote the words of the Minister of Trade and Commerce (Mr. Howe), "all set" and ready with high and profitable prices.

So far the inflation that we are experiencing has been largely psychological. Prices have been rising in anticipation of serious shortages and still higher prices. The vast expenditures for defence preparedness have not indicated their full effect. Defence expenditures are still largely in the first or preparatory stage. Only when defence industries are working to their fullest extent will the full effect of defence demands for basic materials, factory space, machines and labour be felt. If there is in addition demand for manpower from the armed forces as the result of more intensive recruiting, the consequent labour shortages and inflationary pressures must of necessity become intensified.

Thus it is that we of the C.C.F. are renewing today our insistent demands for a comprehensive national economic plan and the immediate institution of price controls and subsidies. Failing such a policy the relatively lower farm incomes along with increasing cost of production and a decline in purchasing power of wages will cause discontent on the farm and bring about renewed wage demands in the industrial areas. I say to the minister that these could upset both our defence efforts and all his budgetary forecasts. That this may happen

[Mr. Coldwell.]

has been stated by some of the leading men in both the farm organizations and the labour unions within the last couple of weeks. Yet neither in the budget nor in any of the government's pronouncements during this session can one find any realistic approach to these problems.

On the other hand, some of the proposals in the budget will increase further the already oppressive high cost of living. This is particularly true of the twenty-five per cent increase in the general sales tax. It is all very well for the government to argue, as the minister did the other night, that the sales tax applies only to one-quarter or one-third of the expenditures of families in the lower or middle income groups, but these are the groups that include pensioners of all types, persons living on annuities, savings and fixed incomes; these are the people who can least afford this substantial increase in the sales tax.

The hon. member for Hamilton West (Mrs. Fairclough) is in her seat this afternoon. One week ago I quoted from a survey which had been made in Hamilton and which indicated the hardship and malnutrition faced by old age pensioners in that city in this province. Whatever way we consider it, the sales tax is fundamentally an evil tax and most oppressive. It is made more oppressive because it is collected at the manufacturer's level and thus is pyramided substantially before it reaches the consumer.

To illustrate what I mean, let us take an article subject to tax which the manufacturer prices at \$10. To this he adds the sales tax of \$1. Therefore the wholesaler who buys from the manufacturer bases his profit of 20 per cent, let us say, not on \$10 but on \$11, and the price he charges to the retailer becomes \$13.20 instead of \$12. The retailer now adds his mark-up of 33½ per cent, let us say, so that the consumer pays \$17.60 for the article instead of \$15. By the time the 10 per cent tax has been paid by the consumer it has risen, in the instance I have just given, to about 12.7 per cent, nearly 13 per cent. If there are intervening mark-ups or the mark-ups are larger, as they usually are—

Mr. Browne (St. John's West): Where did you get the figure of \$15? It is \$16, is it not?

Mr. Coldwell: Yes, between \$15 and \$16 is right. I said \$15 did I?

Mr. Browne (St. John's West): Yes.

Mr. Coldwell:—on many classes of goods, the tax is correspondingly increased, and its effect on the cost of living is correspondingly greater. We object, and always have objected, to this tax on principle, but since it is going to be imposed anyway we urge