• (4:20 p.m.)

Mr. Lambert: It was illusory in the long run for Canada in that we then undertook to limit our holdings of foreign reserves at $2,600 million expressed in U.S. funds. I simply say that the then minister of finance had a bridle slipped on him; he also took the bit, not one bit but two, a curb bit with a very tight curb. The net result is that the Minister of Finance, who should have a very useful tool at his disposal to curb inflation, is now prohibited from so doing by the agreement with the United States in that Canada must keep an artificial ceiling on its interest rate in order to discourage the coming into Canada of foreign funds, which must be controlled because of this agreed ceiling of $2,600 million. This is a proposal that I want considered: Would it not be better today to remove ourselves from the exemptions of the Interest Equalization Act?

Mr. Sharp: We would have to pay more for our borrowings.

Mr. Lambert: Yes, we would have to pay more for our borrowings, but the minister is now asking for the same thing in another way. We can argue this matter at greater length some other time. I cannot deal with it at length now because it would take from 20 minutes to half an hour to go into detail. However, Mr. Speaker, I ask that this proposal be considered, in order to allow us to use our own monetary tools to control our domestic monetary policy. We are hobbling ourselves with a foreign exchange tool of control. What is the greatest advantage to Canada in the long run? Is it the higher cost of funds borrowed in foreign markets, or the erosion of our savings in Canada, causing untold hardship to our people on fixed incomes as a result of inflation?

The minister has said he is trying to curb inflation, but let us refer to his Budget papers. On page 19 of the budget papers there is a paragraph on prices which indicates that there was a good 3 per cent increase in prices in 1965. Then there is this illuminating statement:

> All of these factors, in the context of conditions in the early months of 1966, suggest that it would not be prudent to assume a rate of price increase any less than that recorded in 1965.

So we can expect the same thing in 1966 as we had in 1965. Does the minister mean that his efforts to combat inflation will not succeed in reducing the rate of inflation, or will he merely contain inflation to the level of 1965? If that is all this budget is aimed at, I say it misses the mark and does not do the job that needs to be done in Canada.

[*Translation*]

Mr. Antonio Yanakis (Berthier-Maskinongé-Delanaudière): Mr. Speaker, I should also like to congratulate in particular the Minister of Finance (Mr. Sharp) for the foresight he showed in his Budget speech, which is both cautious and realistic.

The first budget of the minister was a complex and skilfully introduced document, which evidenced not only the cool thinking and the ability of the Minister of Finance but also his hesitation to attempt any fiscal adventures.

The main purpose of the delicate balance in the series of measures proposed is to curtail the general requirements of the Canadian consumer and to encourage the Canadian businessman to slow down in his capital investments and his importations. The minister therefore wants to make our economy free from inflationary pressures and extend, beyond our centennial year, our present prosperity.

The budget speech itself was the least partisan of all those heard in the house of recent date.

The new Minister of Finance read his 16,000 word document with the brilliant self-confidence of a reasonable man in an unreasonable world. To see him make his speech in the house was like seeing a perfectly adapted human machine at work.

In spite of the caution which he had to show, the minister rejected the obsolete concept according to which the government creates taxes for the sole purpose of collecting money. Instead the new Minister of Finance firmly declared his intention to use taxes in a much more creative way to alter the economic trends in the country.

The minister also re-asserted that, in spite of this age of co-operative federalism, Ottawa still has an important impact on the Canadian economy. Even the cautious measures of the budget will, in 1966, change the figure of the gross national product—the sum total of Canadian earnings and production—from 9 per cent to 8½ per cent.

Mr. Speaker, one of the main objectives of the minister is to reduce substantially the capital outlays of the public and private sectors during the next year. As far as private undertakings are concerned, they are subject to two main measures intended to