

*The Budget—Mr. Pearson*

kept down—but they were not kept down—and increases in the expenditure of government—and there would have had to be some increases, of course, one and a half years ago—could have been directed to areas where unemployment was greatest and to capital projects which would have had the maximum effect in terms of jobs.

One and a half years ago the government could have realized, as we on this side realized, that unemployment would be high all through 1958. They could have worked out a winter works program in the spring of last year, not in the fall of 1958, just as they should be working out such a program now for the current year.

What did they do? They charged along piling up promises and commitments, and increasing departmental commitments and expenditures, without developing, as the *Toronto Globe and Mail* pointed out to them, any overall fiscal policy whatever. All that the Minister of Finance could say to us in reply to that charge was: "What kind of policy would you adopt?"

Last year the fiscal proposals of this government were based on electoral necessity. This year they are based on inescapable financial necessity. As a result we have the worst of three worlds abnormal unemployment, rising prices and higher taxes. The minister, of course, has made a virtue of the fact that people seem resigned to the new Conservative policy. If that resignation exists I assure the minister, if he needs any assurance, that it will turn to bitter anger if in spite of these higher taxes both serious unemployment and higher prices persist throughout the current year.

The amount of the minister's new taxes is \$352 million and this will have a serious impact. He has taken some credit for the fact that it is spread over the community in a way in which those who are most able to pay do pay. But of the \$352 million the sum of \$84 million will come from corporation income taxes which now in most cases can be transferred to the ultimate consumer and which is becoming more and more assimilated in our economy to a sales tax. The sum of \$75 million of the \$352 million comes from an additional old age security tax, 1 per cent of personal incomes. That will certainly fall most heavily on the lower income groups. Of the \$352 million the sum of \$93 million is sales tax, and how the minister when he was on this side of the house used to criticize sales taxes.

**Mr. Fleming (Eglinton):** And how your government used to defend them.

**Mr. Pearson:** Of course, that is quite right. The minister made that point this afternoon. But what has changed his mind about the sales tax?

**Mr. Fleming (Eglinton):** What has changed yours?

**Mr. Pearson:** We are not attacking this particular tax in the way the minister is defending it.

**Mr. Fleming (Eglinton):** Oh, no?

**Mr. Pearson:** Surely, when the minister became Minister of Finance we had the right to expect that he would bring to his new portfolio the economic and financial principles for which he argued so strongly on this side of the house. That is what he said. That is the position he took. That is why we have the right to be suspicious of the bona fides of this government when it introduces a budget of this kind. How can we dissociate the former views of these men from the views they hold at this time without accusing them of hypocrisy or inconsistency?

Let me remind hon. gentlemen opposite of what the Minister of Finance said in 1950, and repeated every year since then. I refer to a statement of the minister reported at page 713 of *Hansard* of September 13, 1950:

I wish to put myself on record—

And I will put the minister on record again.

I wish to put myself on record, as I have on similar occasions in the past, with regard to taxes of this nature—

That is sales taxes.

—by saying that they are not the kind of taxes that ought to be encouraged by the House of Commons. They are discriminatory against people of small means.

Are they?

They are hidden taxes—

Are they?

—and in the third place the consumer pays for more than the tax. The consumer pays the original tax plus the wholesalers' mark-up on the tax, plus the retailer's mark-up on the mark-up on the tax. In that way you will find that in most cases what the consumer pays, by reason of the imposition of the tax, is just about twice as much as the government receives by way of tax levied at the manufacturer's level.

Those words were spoken by the Minister of Finance in 1950. If the minister still feels that way about sales tax why did he bring in the kind of budget he did? The minister is a very determined person and does not change his mind easily. Why did he not do away with increased sales taxes? What could have convinced him to change his mind?

**Mr. Fleming (Eglinton):** Certainly not the Liberal party.