

The Budget—Mr. Benidickson

Seemingly the government and the minister had gone too far in extravagant statements such as are usually in the budget.

—commenting, “if the budget’s assumptions are correct, the bond market is too high. If the market is correct, then the budget is wrong, and we will have such poor business that we will have a good sized revenue deficit.”

That was at the time the minister was telling us that in the economic interests of the country we should budget for a surplus and disregard such factors as unemployment and so on. So if again in 1961 the market is going against the minister it is a matter of many minds of people, I suggest, who feel, contrary to the minister’s view expressed to us budget night that the threat of inflation is “minimal”. I think that was his word. He parried the question pretty well last night on television. That these people should hedge at once against inflation because as sophisticated people they seem to think that inflation is involved in the mountain of debt which is to be added to as a result of the announcement Tuesday night, should give the minister pause for thought.

I think we in the house should perhaps look at something else that is a warning. On the very day that the minister introduced his budget his counterpart in the United States, the secretary of the treasury, made a major speech in Washington in which he indicated that in his negotiations with the United States congress he was most concerned whether or not congress would widen the deficit that would result if congress did not accept the President’s proposals which on the revenue side included somewhat more stringent measures with respect to tax deduction opportunities.

The point that I thought was of great significance when I read the story yesterday was that it was obvious from Mr. Dillon’s speech that although he said some compromise might be possible, he was fighting against the possibility of a deficit beyond \$3.2 billion. So far as the equivalent here is concerned, one can take almost any index, population, gross national product, or individual personal earnings. Let us assume that everything is ten times bigger. If Mr. Dillon was concerned about a deficit beyond \$3.2 billion in that country on the day the minister was bringing in his \$1 billion budget, according to my thinking ours could be related to a \$32 billion cash deficit in the United States. Mr. Dillon said that the President would veto any reduction in prospective revenue that would increase the deficit in that country beyond \$3.2 billion. We are talking here in terms of \$1 billion, but if you want to relate it to our population, our gross national

[Mr. Benidickson.]

product or anything else, use a multiple of ten and then regard the minister’s deficit in that way.

We were surprised that for the first time, I believe, there was evasiveness displayed by the minister with regard to the usual gross national product forecast. He did refer specifically at one point to a possible 3 per cent G.N.P. increase, but hon. members will recall all the escape hatches, and not the historic ones, that were related to it. The minister abandoned the historic ones last year, as I indicated the other night. I do think this is an indication for businessmen who make plans and who, having paid their taxes, think they should get from the head of the treasury, based on all the excellent talent available in the government departments, an economic forecast in such a vital matter as the gross national product.

Such a forecast, of course, is being made three months later than usual, but it still would be of some use to businessmen in their calculations and operations for the balance of the year. We want to know how the minister is going to finance this cash requirement of \$1 billion. There is an unknown factor, of course, in connection with the Foreign Exchange Control Act, but let us take the announced \$1 billion cash deficit. How is the minister going to finance that? Is it his proposal that the Bank of Canada accommodate this \$1 billion? If it is not to be financed through the general public, will it be monetized through the banking system?

We have seen nothing in the budget to justify the very unusual delay in its presentation. I am wondering if it took the minister three months beyond the usual date for the presentation of the budget to convince his cabinet colleagues, some of whom may be spenders and some of whom may have an eye on the forthcoming election, that he must draw the line in connection with this expansionist program. Except for the decision in connection with the exchange fund, any big decision that involved dollars and cents in the budget had been made months ago. As I have said, such calculated amended decisions in respect of the current fiscal year in the budget involve only \$65 million. However, for the last three months people have been paying excise taxes on automobiles which the minister says, for the economic health of this country, should be removed. Why were they not removed three months ago for economic advantage?

Mr. Martin (Essex East): They should have been removed two years ago.

Mr. Hellyer: You mean the government should have been removed.