

Housing

much land would be opened up that prices of raw land would fall as the demand was met.

I would like to deal with another factor in the high cost of housing, one which is again the responsibility of the municipalities and again the result of outdated and counterproductive fiscal arrangements between the provinces and municipalities. I am referring to the high standards set for new homes. Considering the urgent demand for housing, municipalities should be prepared to permit smaller lots and smaller houses, so that homes can be built which people can afford to buy. At the present time the zoning requirements of municipalities are so high that there is no new housing, as it were, in the Volkswagen category. People who would like to buy a Volkswagen house and can afford one, are offered only Cadillacs which they often do not want and cannot afford.

The municipalities' high standards are partly an aesthetic consideration based on the desire of existing residents to see their communities upgraded at the expense of newcomers; partly it is a measure designed to reduce the amount of new development and to assure high assessment and higher taxes from newcomers. Much leadership in this respect can be provided and, in fact, has been provided by the federal government. More should be forthcoming.

The standards imposed by the Central Mortgage and Housing Corporation for new housing are lower than the standards of any municipality in Toronto as to lot frontage and house size. But leadership can carry the matter only so far. The ultimate and direct solution is legislation, and again, Mr. Speaker, not federal legislation but provincial legislation.

On the subject of high costs of construction, I would like to say a word about the sales tax on construction materials. I believe that this tax should not have been introduced. However, it presently represents an important source of revenue which cannot easily be replaced. I would, therefore, urge the government to consider not the total repeal of the 11 per cent sales tax on construction materials, but at least the repeal of the cost of construction materials used in a house whose selling price, excluding land, is less than, say, \$18,000. A similar provision could apply to apartment buildings which could be demonstrated to have been built for those with low incomes.

Mr. Gilbert: Does the Minister of Finance (Mr. Benson) agree with that?

[Mr. Kaplan.]

Mr. Kaplan: I have put it to him.

Such a reform could be administered by applications for refunds after the construction of the residence on production of evidence of its selling price, or of the rent to be charged in the case of apartments.

The third element in the high cost of housing is the increased and growing cost of money, that is, the interest charge. This is an area in which the federal government has some responsibility through C.M.H.C. and through its general control of the economy. Nobody is happy about the high cost of money today. I would like to look for a moment at the problem of inflation in perspective and then to suggest an approach to a solution not referred to in the task force report on housing.

There are many people who blame the federal government for inflation and who criticize it for its lack of restraint. Let me refer to some figures produced by the International Financial Statistics Service of the World Bank to illustrate how Canada compares with other nations in controlling inflation. Twenty-seven countries are included in the comparison, most of them free economy industrial countries, reflecting the change in the cost of living from 1958 to 1966, that is, over an eight year period. The figures show that over the period mentioned Canada is second only to the United States in controlling its price levels.

In that eight-year period, United States prices increased 14 per cent and Canadian prices increased 16 per cent. In Germany, whose economy is often praised for its stability, prices increased by 22 per cent; in the United Kingdom the increase was 27 per cent; in Sweden a socialist country much admired by some, the increase in prices was 34 per cent and in Japan, land of the modern economic miracle, the increase was 50 per cent. It will be seen that relatively speaking Canada's record has been very good.

In judging our performance, it must be borne in mind that Canada is tied very closely economically to international supplies of capital, of markets and of resources. We are not sufficiently isolated to have an economic policy radically different from those of our neighbours; hon. members will see that inflation is really an international problem which Canada is fighting off relatively well.

If, as I have suggested, inflation is an international phenomenon, this does not mean every effort should not be made to control it