

haps the government thinks they can butter up the U.S. so that pressures will come off the auto pact. I do not know what it is but in so far as Canada is concerned that proposal does not help. My colleague, the hon. member for Perth-Wilmot (Mr. Jarvis) will be discussing in this debate later the changes in small business deductions. There will be also those with regard to the resource industries.

I should like to make one final remark about the customs changes. There are always some funny things that come up in a budget when one refers to customs changes. There are not many of them this year, with the exception of the one on facilities for orthopaedic casts, splints and other similar supports for handicapped persons. That is fine, but there is something else to do with veterinary medicine which relates to the bovine intranasal vaccines which will be admitted free. What is the particular purpose of this change leading to free admission into Canada of "amusement riding devices of the kinds used at exhibitions or fairs, ancillary equipment imported therewith; parts of the foregoing"? Hitherto there used to be some duty on this. Now, amusement ground equipment will benefit the most.

● (1530)

There are other things to which I am not going to refer, ranging from handicraft goods which are "designated by Order of the Governor in Council" and which are now to be entitled to the benefits of the general preferential tariff. That is a move in the right direction, but there are many other changes outside of those, which provide for the tourist returning from abroad, as well as limited changes in the customs tariff.

The minister has said that domestically one of the reasons for inflation is that industry and productive capacity are stretched to the limit, and we are feeling the effects of demand-pull. Yet one of the reasons for the limited capacity of the economy, as put by the Governor of the Bank of Canada in his last review, is "the relatively sluggish pace of investment for several years prior to 1973." In other words, the under-investment in previous years under the present administration is now responsible for the bottleneck in industrial production capacity. I cannot see the minister taking some comfort in saying that Canadian industrial capacity is right up to the collar in utilization when the only reason for that is that there was under-investment in previous years. But in any event, Mr. Speaker, historically investment follows increases in demand.

It is important to note that business fixed capital formation in 1973 as a percentage of gross national expenditure had not yet attained the level of 1965, and was considerably lower than the percentage of gross national expenditure achieved by business investment in the previous cycle of large business expansion from 1964 to 1967. The level of investment must become a source of concern for government planners if better price and employment performance are to be expected from the Canadian economy.

Concern for investment should be directed to particular sectors and regions of Canada. The minister was pretty solemn about regional disparities. There were a great number of areas in which the budget speech was rather solemn. Very little was said about the worsening trend in

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the international trade commodity section for the remaining quarters of 1974, if we look at this on a constant dollar basis. There is also the question of banking. It was not mentioned at all. I think the minister should have attended to Canadian banking facilities, and what have you, in his budget speech. There were many areas in which the writers were overly long in preparing the material, and I contend they could have concerned themselves with rather more pertinent facts dealing with the Canadian economy.

Here is one of the things that the minister will not tell us. Investment in new capacity, in equipment in manufacturing in 1972 was lower than in 1966, measured in current dollars. Even investment planned for 1974 in new capital equipment for manufacturing, once deflated by the change in the gross national expenditure implicit price index from 1966 to 1973, is less in terms of purchasing power than it was in 1966.

In the Atlantic region planned corporation investment for 1974 ranges from a low of roughly a 2 per cent increase in Newfoundland to a high of 28 per cent in New Brunswick. These increases will do nothing to lessen the regional disparities between provinces, and the level of investment in the Atlantic region is a cause of grave concern for the continued economic viability of the area.

Now dealing, with the budget itself we must look at the tables which were presented with it, and about which the minister did not speak. If we look at pages 31 and 32, for instance, we see that in 1973-74 the revenues under budgetary transaction were some \$19 billion, and the minister expects to collect some \$23,950,000,000 under his 1974-75 budget. In other words, government revenues are going to go up 26 per cent.

On the basis of expenditures there was an over-reach of more than \$1 billion as contrasted with what was forecast for last year, and there will be an increase this year to \$24 billion, which is an increase of 22 per cent. It is amazing when you think that the economy can withstand an increase in government revenues and expenditures at a rate of 24 per cent and 22 per cent per year.

Mr. Gillies: It cannot stand it, and that is why you have 12 per cent inflation.

Mr. Lambert (Edmonton West): Right. Just look at the last Bank of Canada weekly statement which indicates that in just one year, from April, 1973, to April, 1974, there was a 20 per cent increase in the money supply, putting aside government deposits. How can this possibly continue?

The minister says that his deputy minister was at pains to explain that it was the policy of the government and of the Bank of Canada to maintain a control on the total money supply which is enough to ease an increasing economy and, of course, increased population consumption. All of us would accept that natural increase but, Mr. Speaker, there is no way that the Canadian economy can countenance an increase of 20 per cent in its money supply in one year. That is one of the reasons why we have inflation, but the minister did not talk about that.

In the same way the cash requirements of the government are going to go up about \$2 billion. Again we see reasons why the coming year will not be too different