would be that of the Lincoln Electric Company of the United States, which has been the leader in this sort of labour-management relations for some time. No strikes have disrupted their progress, and right from the time that the system was introduced the cost of producing a unit of goods has shown a steady decline.

After saying these good things about the budget—and I have deliberately taken those few moments to say some good things about it, in fairness to the minister and to the government—I must turn now to some criticisms. I could go on and say other good things, but I have not the time.

Mr. Abbott: Too many to cover them all.

Mr. Low: As I have said, the budget does appear to provide the government with sufficient revenue to make it possible for them to conduct a strong defence effort, and to continue to give a fair level of services. The dollars that will be brought in by the various methods of taxation, of course, will be emaciated ones that will have a hard time to buy fifty cents' worth. But there seems to be sufficient of those emaciated ones to fulfil the purposes the minister has in mind.

But the budget will do nothing to put value back into the Canadian dollar. Let me repeat that the budget will do nothing whatever to put value back into the Canadian dollar, and to bring down the cost of living. I see in the budget inflationary forces, and I cannot help declaring that the budget itself is an inflationary budget—just as the hon. member from Greenwood (Mr. Macdonnell) and the leader of the C.C.F. (Mr. Coldwell) have said before me.

I quite agree with those gentlemen when they say it is an inflationary budget. Here are some reasons—and I believe any man should be ready to give reasons for the faith that is in him. In the first place, the government proposes to spend essentially all the revenues that it takes in this year. That means that there is not going to be any surplus for the purpose of removing purchasing power, just so that it cannot be spent.

I am not criticizing that; I am simply making a statement of fact. This alone indicates that there will be $3,586 million of government spending out in competition with the many billions of individual spending during the coming year. There is no provision whatever in the budget to prevent further inflation of prices under these circumstances—not the slightest. In the second place, while it is quite true that the government has proposed certain tax increases on which it means to rely almost exclusively just now for controlling inflation, I am absolutely sure within my own mind that the taxation they propose will be no curb on inflation; and I am perfectly sure that under present circumstances the minister will soon discover that that is so.

Dr. Carl Shoup and two of his colleagues from Columbia university published in 1943 the results of a careful research project which they called "Taxing to Prevent Inflation". I secured a copy of that book and read it because I was intrigued with the idea of taxation to curb inflation. Here is what Dr. Carl Shoup and his colleagues had to say, on the very first page of the book:

> Prices may be about to rise because production and transportation have become more difficult, so that each unit of finished production requires more man-hours of effort than ever before. Although time-rates of wages remain unaltered, there is a rise in labour costs per unit, and possibly in other unit costs also. Under these circumstances it is unlikely that taxation can keep prices down; taking away purchasing power from consumers by taxation will not alter the fact that costs per unit of finished output will have risen. Prices must rise with costs unless the government provides subsidies.

And then comes the part which applies especially to Canadian conditions today. It is almost a recital of the conditions under which we live. Dr. Shoup continues:

> Similarly, if costs rise because the agents of production arbitrarily raise the price of their services by concerted action, taxation is no cure. The business world in general might refuse contracts unless promised a higher rate of money profits; labour might insist on higher rates of money wages. Whether the result were an increased money flow supported by an expansible credit system, or a decreased volume of production, or both, would depend in part on the tax policy that was adopted; but the rise in prices would be present in any case, in the absence of subsidies combined with rationing.

Now, one can easily see in Canada the exact situation described in these quotations, particularly the second part. Under the circumstances, to think that the taxation proposed by the Minister of Finance, unaccompanied by subsidies or other action, would bring down prices or take care of the inflationary situation is pure foolhardiness.

Mr. Blackmore: At least as bad as that.

Mr. Low: What does inflation mean? Inflation means simply a rise in prices; so that anything that increases prices is inflationary, whether on an individual basis or considered over the whole of the economy. James F. Lincoln, president of the Lincoln Electric