

The Budget—Mr. B. Loisel

Whoever reads the commentaries by Economist Gunnar Myrdal, the recipient of the 1974 Nobel Prize for Economics, and some other research specialists, including those attached to the OECD, may wonder if the Keynesian economy has really had all the merit we have come to recognize on contemporary development. One may wonder particularly if the out and out expansionist policies advocated by several industrialized countries during the 20th century are not responsible for the successive crises which have characterized the economic evolution of the contemporary world and, more specifically, if our attitude towards recession and stagnation has not caused us to blow up inflation to crisis proportions.

In the light of the new criticism which has been levelled at the Keynesian theories, it has been noted that various types of government responses have been particularly detrimental to every attempt to keep the inflationary phenomena under control. Some especially seathing criticisms made in this context have put a large part of the blame for the current crisis upon the restraint program, the price freeze imposed in 1971 by the Nixon administration. However, Canada has tried to avoid these gaudy and extreme policies such as a wage and price freeze claimed by our friends on the opposite side, and policies based on general indexation.

This present budget aims to maintain the clever realism which convinced many international analysts. However, it also wants to give it the special aspect of a voluntary restraint of expenses. It is obvious that this is the only way for the Canadian government to maintain its capacity to obtain restraint gestures from its partners in the future, in the matter of profits as well as salary increases.

Considering that Canada is affected by an inflationary tendency fueled mainly by salary increases granted in anticipation of a possible inflation, considering that the last major agreements signed throughout Canada grant salary increases ranging from 17 to 19 per cent, finally, since average industrial wages are now 4 cents higher in Canada than in the United States, one understands the urgency for a fast concertation and a cooling off of salary increases.

Next year, maybe even this year, Canada will be the highest paying country in the world, ahead of the United States, certain Scandinavian countries, Germany and other countries, which might gratify the vanity of Canadians, but should worry them for their long term prosperity.

The example set by the government was urgently needed, but this budget tried to achieve it by resorting to its credit power, by restricting harsh cuts and by maintaining the major thrust of this country towards a democracy providing all its constituents from coast to coast with equal privileges.

Were such measures not good enough to achieve the objectives set by this budget, the government shall have to take action at the level of income formation and find in taxation tools appropriate to the inflation age.

France has already developed in 1975 a short-term tax which is an example of new anti-inflationary tax techniques advocated by experts such as professor Winstraub. The basic purpose of such a tax is to induce the companies

[Mr. Loisel (Chambly).]

with productivity gains above the national average to pass them on to the final users by lowering their selling price.

Such a mechanism can be used by taxing those companies with an increased cash flow due either to a selling price higher than the general rise in prices or to a productivity increase above the national average, but which have not reduced their selling price accordingly.

Finally, this system could be applied generally, not only to companies but to all economic sectors concerned through a fixed and progressive surtax on personal income, so that the individual getting an annual wage increase above the acceptable national level, would have his surplus taxed so as to strengthen the redistributive nature of the tax. The technique dealt with by André Raynault seems to me to be one of the last remedial measures to restore our economic health, but it is also one of the most effective if the budget does not succeed in inducing business to support the government's efforts.

Unlike the previous speaker, I am quite pleased to see the government increase CMHC estimates by \$200 million this year. Mr. Speaker, this expense is highly justified since the number of starts has gone down from an annual rate of 284,000 in the first quarter of 1974 to 161,000 in the first quarter of 1975. Yet, we must note that this decrease is due to the economic situation and not to a lack of federal policy.

This is shown by the fact that non-budgetary funds granted to non-profit organizations for the construction of rental accommodations have increased from \$72.9 million in 1970 to \$124.7 million in 1974. Also, the government has implemented many new housing programs since 1972. I shall mention only the two programs concerning new communities in their first stages which show good promise for the future, as well as neighbourhood improvement loans and the home renovation program. But the most vital programs at this time are two new programs, the cooperative housing assistance program, for which the non-budgetary funds were \$7.6 and \$19.8 million in 1973 and 1974 respectively, and especially the very important Assisted Home Ownership Program, for which the non-budgetary funds were \$133.1 million in 1973 and \$345.2 million in 1974.

Moreover, we must note the development of the housing starts in Canada and the United States in the last few years. I shall simply mention that, from 1971 to 1972, housing starts increased by 10.5 per cent in the United States compared with 6.8 per cent in Canada, but that, from 1972 to the first quarter of 1974, housing starts decreased by more than 30 per cent in the United States while they increased constantly by 13 per cent for the same period in Canada.

We are going through a difficult period as concerns housing, but we can see that federal measures have greatly limited the effects of inflation. And, in this budget aiming at fighting inflation, the larger budget of the Central Mortgage and Housing Corporation is most timely and should confirm and emphasize the resumption of housing starts noted by the Minister of Finance in his speech.

I also wish to say that although the released funds do not form a geometric progression with those of last year, an increase of \$200 million over a budget that already last