

The Budget—Mr. R. A. Bell

program designed to raise the levels of employment and production in Canada.

The hon. gentleman from Kenora-Rainy River endeavoured this morning and last Tuesday night with, I thought, very little success to cast scorn on the statement that the government's policies are expansionist. Well, sir, if this budget with its proposals in respect of exchange rates, interest rates, debt management, tax changes and economic and fiscal policy generally, is not expansionist, then, sir, I do not know the meaning of the word "expansion".

Mr. Martin (Essex East): That is right.

Mr. Bell (Carleton): At the outset of my remarks I should like to deal first with the general economic philosophy of the budget and with the basic principles and economic reasoning upon which it is based. I should like to point out to the house that at no time during his very lengthy speech did the hon. member for Kenora-Rainy River meet the theme of the budget head on. There were times when I thought he was about to do so. Each time that I thought he was about to meet those issues and state where he stood himself with regard to them what did he do? He deflected; he went down another of his blind alleys.

Mr. Benidickson: Not to mention the unprecedented deficit.

Mr. Bell (Carleton): Oh, I will come to the deficit and I will say something about what my hon. friend and some of his colleagues have to say about deficit financing.

At the outset, sir, I want to repudiate utterly the suggestion of the hon. member for Kenora-Rainy River that this budget in some way constitutes a reversal in policy; that it represents in a sense some change of heart on the part of the government; that it is in some unexplained and inexplicable way inconsistent with policies heretofore followed.

The other night the hon. member for Kenora-Rainy River used the expression "flip-flop" and he appeared to savour it. I notice he did not repeat it today. Well, sir, his speech was certainly flipped and it left the house under no illusions as to where the flop was.

What this budget does represent is a fulfilment of policies consistently upheld and promoted by this government. Especially is it in full consonance with and a logical progression from the budget of March 31, 1960 and the supplementary budget of December 20, 1960. The only theme—

Mr. Benidickson: On exchanges rates?

Mr. Bell (Carleton): I will come to what my hon. friend had to say on that. The only theme that I could detect in the speeches of

[Mr. Bell (Carleton).]

the two hon. gentlemen opposite appeared to be just this. If these proposals are good now, why were they not advanced in their present form a year ago, or two years ago? I suppose a criticism of that sort, if such it be, could be applied to any budget, could be applied to any legislation which might at any time be introduced in the house. I submit that in this instance the answer is very simple and straightforward. In a system of flexible budgeting, the timing of proposals is vitally important. What may be an appropriate budget proposal at one period in our economic cycle may well be inappropriate, even dangerous, at another. For example, what today may be an appropriate and highly desirable influence upon our exchange rate might well have had deleterious effects a year ago, or even six months ago.

We must adjust quickly to changed and changing circumstances maintaining, however, the same basic policies. What seemed to be the most appropriate influence upon the exchange rate in December was the increase in the withholding tax and the imposition of the tax on branches. At that time I heard economists of some distinction suggest that this action might well result in the Canadian dollar nosediving. But the moderate and the worth-while effect which it had is now well known to the house and to the country. The withdrawal of the special incentives to capital inflow has already proved its efficacy. But had the withholding tax then been coupled with an announcement of an intention to use the exchange fund to help place the Canadian dollar at a discount, the result might well have been a run on the dollar with detrimental effects upon our productive capacity and in the then existing circumstances perhaps an inflationary impact.

In today's economic climate the use of the exchange fund, I submit to the house, is quite different. It is a logical and orderly progression from the principles of the December supplementary budget which themselves have met the validating test of time and experience.

Mr. Martin (Essex East): Except for double depreciation.

Mr. Bell (Carleton): Oh, my hon. friend will see what double depreciation is and if I have time I will deal specifically with that and with the other depreciation measures. When I finish dealing with it he will not be as voluble as he sometimes is in the house. In view of all the effort the hon. member has put forward in the last ten days and the failure of the hon. member for Kenora-Rainy River even to mention my hon. friend's friend,