

*The Address—Mr. St. Laurent*

but it passed the city editor and it got into the paper. It was entitled "Canadian Economy praised by Federal Reserve Bank":

Confidence in Canadian economy has been greatly strengthened by the general success of the dominion government's fiscal and monetary policies according to the Federal Reserve Bank of New York. Commenting on the Canadian scene in its monthly review, issued today, the bank notes that the economy's balance has been maintained despite the strong expansion pressures generated by the Korean war, the Canadian defence program and the swift pace of economic development.

They go on:

Canada's tax program, the bank points out, was designed not merely to keep the over-all budget in surplus, but also to provide additional revenue in a manner specifically calculated to dampen inflation . . .

"Government policies have fostered rapid economic development in Canada," the bank concludes. "During the past two years, of course, when defence requirements and inflationary pressures have placed critical strains upon the economy, official policies have attempted to channel the continuing expansion in industry and primary production into 'more essential' lines. But many factors suggest that Canada may be moving toward new horizons in a general economic atmosphere conducive to enterprise and individual initiative."

On the following day, inspired probably by this statement of the Federal Reserve Bank, we find in the *New York Times*:

*A Lesson from Canada*

Like most other countries, Canada experienced an inflationary expansion following the outbreak of hostilities in Korea. In consequence, wholesale prices rose from 206.6 per cent of the 1935-39 average to 242.3, or by about 17 per cent, while the cost of living climbed from 164.5 to 190.9, or only 16 per cent. But the upswing of wholesale prices was halted in the second quarter of 1951 and the rise in living costs had reached its peak by the fourth quarter of last year.

They go on and give certain details.

What makes the Canadian record the more impressive . . . is the manner in which it was achieved. The government's policy, in the words of Finance Minister Abbott, was "designed to guide the economy in the right direction without dictating the details of economic activity." In other words, the nation steered clear completely of price-wage controls, and all direct interference with the individual's affairs, relying upon increased taxes (direct and indirect), the stern regulation of consumer credit, a voluntary credit restriction plan, and an anti-inflationary policy of debt management.

The strictly economic approach to the inflation problem by Canada is typically exemplified in its policy in the field of taxation . . . it has sought to maintain a good balance between taxes on earnings and taxes on spending . . . Canada has also had the wisdom to see that, except in time of war, any value that an excessive profits tax might represent is—

—destroyed by the effect it has on incentive.

I do not think that there has been any mismanagement of the Canadian economy, and I do not think there has been any overtaxation as the hon. gentleman seemed to imply in his remarks this afternoon.

[Mr. St. Laurent.]

For comparison, I had looked up the budgets presented by the hon. gentleman when he was leader of the government of Ontario. I find that, in a comparable period, the amount realized from his taxation policies was something over 15 per cent above the expected, while the amounts realized by the dominion government, over and above those expected, have been something of the order of 11 per cent. I am not bringing this out as a reproach. I am just pointing out that where the same constitutional system prevails the legislatures determine, on the forecasts submitted to them, the rates required to raise the sums they have appropriated and authorized to be paid out of the consolidated revenue fund. Fortunately for the hon. gentleman while he was premier of Ontario, and fortunately for us, the optimism—even the optimism that has been sometimes looked upon by the more prudent as excessive—turns out frequently to be more than justified by the buoyancy and resiliency of our Canadian economy. Certainly that is nothing for which we have any reason to apologize or to be sorry.

It must, of course, make us more careful, especially when we realize that there must be elections from time to time. No government likes to impose more taxes than are required. That is something about which we are concerned, not because we are power hungry or anxious to remain in office—I might as well be frank and confess it—but because we have sufficient conceit that we believe we are able to give better government than the alternative would give. I shall not apologize for that conceit because I am quite convinced that my hon. friend has the reverse conceit quite as firmly as we have ours. That being so, we are always concerned with keeping taxation at the lowest level that is possible in view of the services which have to be provided.

I made a note of the hon. gentleman's statement. No one in this country seriously contends that any of these services that have been instituted over the last few years should be eliminated. On the contrary, there are many who contend we have not gone far enough and that we should increase taxation on the Canadian people to be in a position to render further social services that have not yet been undertaken. I am sorry I am taking so much of the time of the house, but I had prepared some notes on the kind of budget that we would naturally expect from the hon. gentleman if, in the near future, he had the responsibility of the present Minister of Finance (Mr. Abbott).