

Surveys and Resources and Development. This is valuable, sensible work that will increase our national income just as surely and effectively as much private business expenditure will. The same is true also of the extensive work in the field of scientific research, which has been greatly increased in scale and of which we may, I think, be justly proud.

I shall not try to enumerate all the classes of activities. I have said nothing, for example, of such an important one as our housing program. The point I wish to emphasize is that the public, the responsible political parties, and this parliament have all willed the ends to which these efforts are directed, and it is here in the budget that we must provide the means. Unless we are prepared to reduce the scope or scale of government activities, we must now expect \$2,400 million budgets in future years.

Nor can we escape the tax implications of this conclusion. We must have a tax system that will at least balance the budget in good years, in those times when private expenditures and exports will sustain our employment and incomes at high levels; for otherwise we should slide quickly into inflation at such times and pile up our national debt more quickly than we add to the economic and financial capacity of the nation to carry it.

The conclusion then which I reach is that no minister of finance in the foreseeable future will have an easier task than I have, namely, that of covering about \$2,400 million of expenditure. In considering proposals for further major increases in our expenditures of a continuing nature, we must be ready to balance them with increased taxes. We can afford some modest increases in expenditures from year to year, or alternatively modest reductions in taxation, as our productivity and national income grow, but this dividend of progress is gradual and modest in size in relation to the ambitious plans that are so much in the air these days. What is important I believe, is that we should now realize clearly that there is no prospective surplus from which proposed new programs of expenditure can be met. If the expenditure is worthwhile, it should be provided for by new or increased taxes or charges or by reducing some other services or activities of lower priority.

#### Tax Policy and Tax Changes

Given the conditions I have outlined, of continuing prosperity in which the positive and negative factors are rather evenly balanced, the wise and prudent fiscal policy calls for a balanced budget, or a budget which provides for no more than a modest surplus for the retirement of debt.

Last year I budgeted for a surplus of \$87 million, and it now appears that we shall have a surplus of about \$111 million. For the coming year I have already estimated expenditures at \$2,410 million and revenues at existing tax rates of \$2,430 million. That would leave us with a prospective surplus before tax changes of only \$20 million. This leads me to conclude that no major changes in taxation would be wise this year. I am, therefore, proposing no important changes, but, as occurs each year, experience or changing circumstances require us to make a number of minor or technical changes in the tax laws, to remove anomalies, to secure greater equity, to clarify obscure points, or to meet special circumstances. In only two or three instances will there be any significant revenue implications in my proposals.