

The Budget—Mr. J. M. Macdonnell

the government are so completely out of touch with the Canadian people that they don't know what is going on.

The *Ottawa Journal* of April 11 said:

It would be wrong to say that what Mr. Abbott brought us yesterday was an anti-inflationary budget. All Mr. Abbott seems to have done is to impose levies sufficiently heavy to bring the sums required for the defence effort, with no theory or nonsense about stopping inflation.

The *Windsor Star* again:

To think the increased taxes will appreciably reduce the demand for a diminishing flow of goods is to be naïve. The higher taxes are more apt to encourage demands for higher wages so the higher cost goods can be purchased.

L'Action Catholique mentions a special aspect which will be of interest to the province of Quebec. It says:

The increase in the sales tax will automatically increase the provincial sales tax, since the latter is based on the price of the merchandise including the federal sales tax.

The *Ottawa Citizen*, in an editorial entitled "It could have been worse" says:

The real shocker of the 1951 budget is the increase in the general sales tax to 10 per cent.

The *Montreal Star*, speaking of the general sales tax, said:

It will inevitably bring in its train demands for higher wages.

The *Toronto Star* adds:

It is on the whole a good budget marred only by the sales tax increase.

Throughout the press there was a remarkable unanimity against this increase of 25 per cent in the general sales tax. The quotations which I have given are typical.

To sum up, there is a wide belief that the general sales tax will be of little use as a reducer of consumption, but conversely will have the effect of increasing the cost of living. To a large extent the same will be true of other excise taxes.

Let us face the situation. This budget, which is purporting to cure inflation, will cause as its inescapable first result a substantial increase in the cost of living. One inevitable result, as the *Montreal Star* points out, will be forced on many of those in the community; the well organized will try to seek wage increases, and of course wage increases, unless accompanied by increased production, can have only one effect—the deadly spiral.

There is just one other aspect that I wish to refer to briefly, and that is an indication of a tendency on the part of business to take advantage of this situation, which I hope is not typical. The hon. member for Lake Centre (Mr. Diefenbaker) referred very forcibly and cogently to this the other day; but the things that I wish to refer to are

but rather trivial instances, and yet they may be—I hope they are not—straws showing the way the wind is blowing. I understand that the tax on cigarettes was raised three cents, but that the price was shoved up four cents; conversely, I understand that the taxes on chocolates were reduced two cents a bar, but the price came down only one cent a bar.* As I said a moment ago, I hope that that is not typical. I hope that the business community—as I am sure many of them have—are showing a sense of responsibility very different from that.

Considering this situation, and the inevitable result in new taxes, I wish to examine the budget carefully from the point of view of the money the government is taking from us. A correspondent of the *Montreal Gazette* on Friday last sent the following report:

"The federal government will tax more dollars from Canadians per capita than in the wartime peak. In the 1943-44 peak, Ottawa took 207.17 per capita in all tax forms. Last year the comparable figure was 200.86. But for 1951-52 with defence costs mounting, per capita tax will be 242.97. The reason it won't be noticed is that national income figures are much higher now and the government's cut of the melon, while higher in dollar and cents, is lower proportionately. In the peak war year, the federal authorities took 26.9 of the national income. In the new fiscal year they will confiscate 21.5 per cent."

It is interesting to look back to 1939 and find that the comparable figure then was 38.76. It seems like another world.

As we look back over the budget, particularly during the years that the present minister has been Minister of Finance, we are struck with one remarkable fact. Each year there has been a tremendous increase of revenue over the estimates. Sometimes the difference seems almost fantastic, and last year was no exception. In the spring of 1950 the minister estimated, if I remember correctly, a surplus of \$20 million. What happened? In four months it was up to \$253 million, about twelve times the estimate. Last September he had another go at it. After the new taxes and appropriations, the estimate was \$15 million. Well, the result made that estimate look silly. The actual result was \$203 million. I should point out that this \$203 million was after introducing two charges which I very much suspect were not taken into account in September when the calculation was made. I refer to the \$65 million paid to the western farmers and the \$75 million adjustment of the civil service superannuation fund, doubtless a necessary adjustment; although, incidentally, I might say that we have got no adequate explanation yet as to why it was so long in coming to light and being dealt with. Therefore I say it would be far fairer to compare the \$15 million estimate of last September, not with

* (See also page 2139.)