

The Budget—Mr. Ryan

In this regard I think it would be proper for me to read into *Hansard* a number of paragraphs from an article entitled "Your Taxes Will Go Down", by Mr. Beardsley Ruml, appearing in the *Magazine Digest* for June. Mr. Ruml, author of the pay-as-you-go income tax plan, is chairman of the federal reserve bank of New York. In this article he refers to federal budgets and taxation, and he says:

The federal budget itself has an important influence on the value of our money. Whether the federal budget is inflationary or deflationary depends on the kind and amount of federal taxes. The real purpose of our federal taxes in the providing of revenue is to make sure that we have a budget that has the right kind of economic influence on the country.

The federal budget commits us every year to a set of expenditures, most of them necessary and desirable, and yet always with some waste, tradition and unreasonable sentiment.

We have federal taxes because we have national expenditures. If we had the expenditures without any taxes at all, the budget would be extremely inflationary.

The reason we have federal taxes is so that the federal budget will have the right influence on the rest of our economy—that it will do its part in keeping employment and production high year after year. . . .

We have another good reason for expecting lower taxes—we do not want a deflationary federal budget when we have too much unemployment. We shall have to figure out how much employment and production we want as a "standard normal" and then make our federal tax programme so that income will balance outgo when we are at this desired normal level.

Such a tax programme will produce a budget surplus without changing the rates, provided that the outgo is kept steady and employment goes beyond what we think normal ought to be.

If employment and production go below our standard normal level, and if we keep our rates the same or even reduce them, then the effect of the budget will be to add to public purchasing power and thus help raise employment and production to our normal level.

Expert estimates all agree on one point: with high employment after the war, national production and national income will actually be very much higher than ever before in our history.

For future taxes, this means that either we shall have a high level of employment and production and can therefore have lower tax rates and a balanced budget, or we shall have lower tax rates to arrive at the employment and production level we feel is desirable.

Lower tax rates will help us achieve high post-war employment, but we must remember that during the first year or so after hostilities cease, strong inflationary influences will be at work. They must be combated, and taxes will have to be used to help fight rising prices.

In this uncertain period we must proceed cautiously with tax reduction, even if the budget is balanced and possibly shows a surplus. But after the American economy is established, we can use the tax programme to help provide the means of going where we want to go, in terms of high production and high employment—and this will mean far lower tax rates than we have to-day.

[Mr. Ryan.]

I believe that the paragraphs which I have read apply very fully to the present budget of the Minister of Finance. It has been my opinion since I have been in this house that the minister, in bringing down his annual budgets, has always had in thought the welfare of the country and has built up his taxing system with that in mind.

There is a question in regard to the importance of control, and I should like in that regard to quote a statement made by Sir George Schuster, one of Britain's foremost business men. He says:

We must have some measure of government control over the nation's commerce after the war. If each business seeks to run its own affairs according to its own single interest, I see little hope of avoiding state control at every point. The main problem is achieving a balance between the organizing power of the state and the driving force of the free individual.

That, I think, can be easily understood.

Further with reference to controls, let me quote the following statement of United States price administrator Chester Bowles:

That price control has saved the people of the U.S.A. \$67 million and that much would have been added to the building of the military machine had there been no price restrictions.

Comparisons of the cost of the two wars compiled by the O.P.A. research division show that \$22 billion more has been saved consumers through price control over civilian goods and service. That saving alone amounts to \$169 for each person for 1943, and that figure is growing every month.

It would be interesting to have an estimate of what Canada has saved by price control.

I wish to make one more quotation, which is taken from "Democracy Reborn", by Henry A. Wallace, Vice-President of the United States of America:

Dollar principles are all right when they serve human principles and free enterprise must be maintained, but the "Big Three", big business, big agriculture and big labour must work together for the general welfare and—above everything—adhere to the principle of complete utilization of all sources, all manpower, all skills in the service of the common man in his search for jobs.

On Friday we listened to an able speaker, the Prime Minister of New Zealand, who told us what he thought of the all-out war effort carried on by this government; that it was not only his opinion, but that of the most important men in the world to-day that Canada has done a wonderful job. There is no doubt about that. It has been well known by everybody except those who wish to criticize the government. On the subject of the war effort, the Prime Minister of New Zealand referred to man-power, war equipment and so forth. On Saturday morning,