

Excise Tax Act

tax is going to be imposed in stages. But as the hon. member for Lapointe (Mr. Gregoire) has pointed out, a dog is not any more comfortable for having its tail cut off by inches rather than all at once, and the ultimate result of the legislation will be that by January 1, 1965 there will be an 11 per cent sales tax on building materials and production machinery.

When the bill was at the resolution stage the hon. member for Danforth (Mr. Scott) on behalf of our party moved an amendment, or attempted to move an amendment, to strike out this clause. He did so because we are opposed to the imposition of an 11 per cent sales tax on building materials and on production machinery. We are opposed to it because, in the first place, the government has said that the most pressing problem facing Canada today is that of economic growth and full employment. If the government had canvassed the whole economy seeking to find some way to defeat its own objective it could not have found a better way than the way it is proposing. Because there is no industry which stimulates more employment than the construction industry. All the way from the logging camps, the saw mills, the factories where bricks, tiles and cement are manufactured, all the transportation facilities, all the construction industries, all the electrical and plumbing fixtures industries, all those who make electrical appliances—all of these are affected by a large and accelerated building program. By imposing this tax the government is bound to bring about a reduction in the amount of building which would normally take place.

A lot of figures have been tossed around as to what this tax will cost the average builder. The Toronto metropolitan home-builders association sent the government a brief in which they said that the 11 per cent sales tax would increase the cost to the buyer of an average small home by approximately \$700; that on a 25-year mortgage of 6½ per cent it would add \$4.59 to the monthly payments, or \$1,377 during the life of the mortgage. That is going to make a lot of prospective home builders stop and think before proceeding with the construction of a home, and it will take from their income, even if they do build a home, money which would otherwise have gone toward the purchase of consumer goods.

It is not only the home owners who will be affected. There are industries which are planning plant extensions running into millions of dollars, and it is only natural that these companies will now pause to consider what their

cost will be in the light of the imposition of an 11 per cent sales tax not only on the building which they propose to erect but also on the machinery and equipment which will go into their factory. Therefore I think the government is making a terrible mistake in selecting this method as the means of raising revenue. I think they are going to defeat the whole purpose of their major program, namely that of getting the economy rolling again and providing for full employment for all able-bodied people in Canada.

The arguments which have been put up by members on the government side have been something like this. First of all they have said: Well, we have an 11 per cent sales tax on everything else; why should construction and building materials be exempted? The answer, Mr. Speaker, is that the very same argument, and the very same reason why the exemption was imposed in the first place. The exemption on building materials and production machinery was introduced after the war in order to stimulate home building and construction and to provide employment; and if it was needed in the post-war period, then surely to heavens it is needed now. So that all of the arguments for granting this exemption are equally present and valid at this time.

The other argument put up by government speakers is that this is the fairest way for the government to raise money. Several hon. members opposite have said: Well, if the government has to have revenue surely this is the fairest way to collect it. Let me make clear in the first place, Mr. Speaker, that we have never worshipped the golden calf of a balanced budget, not because we think an economy can go on indefinitely with a budgetary imbalance, but because we argue that if the government is prepared to increase its expenditures and promote full employment, then when we get full employment that in itself will bring back to the government a greatly increased revenue, so that we will have no difficulty in balancing the budget.

We believe that the primary function of the government is to bring about a balanced economy, and that once we have a balanced economy in which production and consumption are in balance the budget will take care of itself. But if the government must find money and secure revenue, as my hon. colleague from Nanaimo-Cowichan-The Islands (Mr. Cameron) pointed out in the course of the debate there are many sources of revenue which the government is completely disregarding. It could impose a capital gains tax. At one time this was looked upon as a very dangerous proposal, something of a

[Mr. Douglas.]