

Again, I compliment the committee on its excellent report. I hope the chairman will not weary in well doing, and that at the next session, or as soon as convenient, he will again address himself to this problem. It does seem to me however—and this is not by way of criticism—that the committee should seriously endeavour to correct the impression that the great financial burden on the people of Canada is brought about only by direct taxation when, as a matter of fact, it springs largely from a system of indirect taxation that has been in vogue for many years.

Some Hon. Senators: Hear, hear.

Hon. T. A. Crerar: Honourable senators, if the discussion of the report is concluded, I should like to close the debate. I regret that I was not present this morning to hear the remarks that were made.

Hon. Mr. Euler: They would have caused you to blush.

Hon. Mr. Reid: I doubt it.

Hon. Mr. Crerar: I deeply appreciate the kind, and quite undeserved, things that have been said about my part in the preparation of the report.

Let me say at once that I have never sat with a committee that went about its task more seriously than did the Finance Committee when it received its assignment from the house on March 14 last. There was strong evidence of a desire on the part of every member of the committee to explore this problem thoroughly and, if possible, to get at facts which would show the relationship between governmental expenditures and the problem of inflation. That in itself was significant and very encouraging.

I quite agree with the remarks of the leader of the government, that Canada has indirect taxes which impose a heavy burden on the people. I think it is fair to say, however, that the question he raised was really outside the scope of the reference to the committee. That question might be dealt with another year. What we were considering was the effect of high government expenditures on the rising cost of living. To me, there is no doubt that if governments throughout Canada could curtail their expenditures by, say, 10 per cent, and if each individual—

Hon. Mr. Duffus: That is right.

Hon. Mr. Crerar: —could curtail his expenditures to the same extent, the problem of inflation would disappear in a short time. But it is difficult to bring these things about.

I have had some experience as a member of a government, and I know the pressure that is placed upon governments everywhere.

There is a great deal of ill-informed public opinion which, if our democratic society is to continue, must be exposed and corrected. I remember the dark days of 1930 when the province of Manitoba—and the honourable leader opposite was then in the legislature of that province—had a very difficult time financially. The provincial treasurer of the day found it necessary to advise his colleagues that a tax known as the Wage Tax would have to be imposed. The so-called Wage Tax was in principle an income tax, which extended down to the lower levels of income. The interesting part of this experiment was revealed several months after the tax was imposed. One day, when at lunch with the provincial treasurer, I asked what had been the effect of the new wage tax that was so unpopular. He replied that the most striking effect was that within a few weeks the demand upon the provincial government to spend public money had been cut by 75 per cent. That illustrates the importance of letting people see the taxes they pay, and indicates why I have been opposed to the principle of indirect taxation. Most of us are buying ever day some article to which the sales tax applies. But not one buyer in a thousand realizes that included in what he is paying is a tax to the government. When taxes are incorporated in prices they are indirect, and the tendency to demand new expenditures here, there and all along the line is increased, because those who ask for these things suppose that someone else will have to pay for them. For this reason, taxes should be direct.

Again I stress the need in these times for governments to practice economy. I could give illustration after illustration of expenditures, not only by the federal government but by every provincial and municipal authority, for objects which they consider necessary, but which in these stressful times might well be postponed. Within the last two years the federal government has sanctioned the construction of some very costly public buildings. Of course we could have done without those buildings. Things might not have been quite as convenient for our servants, but we could have got along in the same way that the old pioneers in Manitoba, Ontario, and everywhere else in this country, got along with log houses and primitive and inconvenient equipment until they were in a financial position to afford something better. I believe that in government affairs, if we are to make any headway in solving the financial problem we must adhere to the same principle. Some of our government services have expanded far too rapidly. It can no doubt be argued that