

*The Budget—Mr. Benson*

An act to amend the Loan Companies Act  
 An act to incorporate Pitts Insurance Company  
 An act to incorporate Pitts Life Insurance Company  
 An act to prevent the introduction into Canada of infectious or contagious diseases  
 An act respecting McQuat Investments Limited  
 An act respecting Buccaneer Industries Ltd.  
 An act to incorporate ICG Transmission Limited  
 An act to amend the Small Businesses Loans Act  
 An act to amend the Railway Act  
 An act to amend the Canada Student Loans Act  
 An act to implement a Supplementary Income Tax Agreement between Canada and Sweden  
 An act to amend the Company of Young Canadians Act

At six o'clock the House took recess.

**AFTER RECESS**

The House resumed at 8 p.m.

**GOVERNMENT ORDERS****THE BUDGET****ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE**

**Hon. E. J. Benson (Minister of Finance)** moved:

That this House approves in general the budgetary policy of the government.

He said: Mr. Speaker, in presenting the budget to the House last June, I expressed the government's view that a strong fiscal position was essential to check the rise in prices and smooth the way toward more balanced and sustained economic growth. We have maintained that position. Fiscal and monetary policies have worked in tandem to establish conditions which should give us the upper hand in squeezing inflation out of the economy. This year by a national effort we must reduce the rate at which prices are increasing. To accomplish this we must be resolute in continuing to restrain the demands that are made upon the economy. We must also continue to relieve situations where particular economic circumstances and the need to apply the big levers of economic policy may create difficulties. This has already led to several adjustments of our policies.

**The Economic Situation in 1969**

In the Budget Papers which I tabled in the House on February 27, hon. members will find a comprehensive review of economic

[Mr. Speaker.]

developments in the past year. As a background to my remarks on our present situation and to gain perspective on the prospects for the year ahead, I should like briefly to review the highlights of economic development in 1969.

We in Canada have not been alone in confronting entrenched inflation. The United States faces it. Many countries of Europe fight the same fever. The fact that our experience is far from the worst gives us no comfort for we know that the illness, if not corrected, will only deepen. We also know that while the illness is to some extent contagious, every country has to make its own provision for curing it.

The average rise in prices of all the goods and services that enter into the gross national product was of the order of 4.2 per cent last year compared to 4 per cent during 1968. The consumer price index was 4.6 per cent higher in January, 1970, than a year earlier. There are some recent glimmerings of evidence that the rate of increase of prices is no longer rising. But however one interprets these scraps of hopeful news, the hard fact is that both prices and costs—and wages and salaries in particular—are still rising at quite unacceptable rates.

The Canadian economy made notable gains last year both in output and employment. The growth of real output maintained the 1968 rate of 4.8 per cent. Employment grew faster than in the previous year—by 3.2 per cent compared with 2.2 per cent. But after the first quarter, as the restraining policies took hold, the rate of growth of demand slowed down. This development was anticipated although it was delayed longer than we had wished. It is a necessary pre-condition for the moderation of price and cost increases which it is the object of policy to achieve. Unemployment in December, 1969, was 4.8 per cent of the labour force, the same proportion as in December, 1968. Seasonally adjusted, the proportion fell in January to 4.5 per cent.

In the personal sector of the economy, incomes after taxes rose more rapidly than in 1968. Spending on consumers' goods and services rose even more quickly than personal disposable income. Personal saving therefore declined. The balances of consumer credit outstanding rose especially rapidly in the first part of the year. In distributing their increased expenditure among categories of goods and services, consumers favoured services and non-durable goods in general.

● (8:10 p.m.)

Information on business capital expenditures suggests that numerous projects planned for 1969 were postponed or cancelled in the latter part of the year. A fall in profits per unit of output accompanied this apparent change in investment plans. Manufacturers' inventories, especially of finished products, were also building up at a substantial rate in the final months of 1969. Housing starts reached 210,000 units for 1969 as a whole but they declined successively each quarter of the year. The government is now providing a substantially increased flow of funds for low-cost housing projects this coming year. This reflects the high priority we place on meeting the need for housing in general and for low-rental homes in particular.

In our foreign transactions we had in 1969 a rather substantial increase in the deficit on our transactions on goods and services—the current account of the balance of payments. Wheat sales were substantially lower. Other exports increased but at a slower rate than imports, which rose quite strongly early in the year. There was a large inflow of long-term capital including the foreign borrowings of provinces and some municipalities. Once again there was a significant outflow of short-term capital attracted by very high short-term interest rates abroad. The over-all impact of all of these transactions upon our reserves was a modest increase of some \$60 million (U.S.) during 1969. The value of the Canadian dollar in foreign exchange markets continues to be very strong, and our reserves have increased by \$318 million (U.S.) in January and February. I hope this will decry what many people have said about flights of capital due to our white paper.

**Some hon. Members:** Hear, hear!

### Financial Markets

**Mr. Benson:** Financial markets reflected the restraining influence of the monetary authorities in Canada and elsewhere. Interest rates reached record levels by year-end. The growth of the assets of the banking system was about 5 per cent for 1969, and the liquid asset ratio of the banks was pushed to a record low. Net new issues of securities by Canadian borrowers were nearly \$850 million lower in 1969 than in 1968, though the issue of securities denominated in foreign currencies rose substantially. Apart from the very successful issue of Canada Savings Bonds the government of Canada was not a net borrower in the bond market in 1969. In fact, the

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amount of our marketable securities outside government accounts declined somewhat, and there was a reduction in the net public debt for the first time since 1957.

**Some hon. Members:** Hear, hear!

**Mr. Benson:** This feature of our operations helped the monetary authorities in their task of maintaining an appropriate degree of restraint. It also permitted other borrowers—provinces, municipalities and businesses—full access to the funds available. The funds accumulating in the Canada Pension Plan invested by my department in provincial and provincially guaranteed long-term bonds exceeded the total net new marketable bond issues of all kinds taken up by the Canadian bond market. This fund has been a lifesaver in meeting the needs of provinces, municipalities, school boards and other public authorities during a difficult period.

### Regional Aspects

Although the various regions of the country had different rates of economic growth in the past year, all of them suffered higher prices. In this sense all regions feel the problem of inflation. Our fiscal and monetary policies have been directed to this general and widespread problem. The government has explicitly recognized, however, that the total spending pressures have not been equally distributed across the country. Accordingly, we have adopted certain measures that differentiate between regions of higher and lower employment. Our tax measure concerning depreciation charges on costs of commercial construction is one example. The request for the chartered banks to have special regard for borrowers in the less prosperous areas of the country is another. In addition, in our expenditure policy, we have given high priority to certain programs which attack specific economic problems of regions of slow growth. Among such programs are those of the Department of Regional Economic Expansion, the Manpower Training Program, the Farm Credit Program and the Wheat Inventory Reduction Program. Equalization grants to the provinces of slower growth amounted to \$750 million in the past fiscal year, an increase of 16 per cent over the previous year.

### The Fiscal Position in 1969-70

I turn now to the fiscal position for the year 1969-70. Of course, there are some weeks remaining in the fiscal year so that the results I present are the best estimates we are able to

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make at this juncture. Last June I forecast a budgetary surplus of \$250 million. In the Budget Papers tabled February 27 I estimated the surplus at \$455 million for the current fiscal year. The difference from the budget arises mainly from the more rapid growth in our tax revenues. Total revenues are expected to be some \$245 million above the earlier forecast; expenditures, \$40 million above. Since the Budget Papers were printed, the government has decided that the very serious excess of wheat stocks in Canada must be drastically reduced by emergency action. Consequently, Parliament has been asked to appropriate immediately a sum of \$100 million to enable Prairie farmers to reduce their acreage planted to grains this year and enable them to adjust to a system of wheat delivery quotas intended to move the existing stocks off the farms. We are proposing to charge this appropriation to this current fiscal year's accounts, increasing budgetary expenditures to \$11,915 million in 1969-70, and reducing the budget surplus to \$355 million.

Last June I foresaw cash requirements for non-budgetary purposes, apart from exchange transactions, of some \$650 million, before allowing for the offset to the write-off of the Expo deficit to expenditures. It now appears that our non-budgetary requirements will be much less than was forecast at that time. A figure of \$365 million is implied in the Budget Papers. This figure will be reduced by \$100 million, representing a contra non-budgetary credit to the budgetary charge for the appropriation for the wheat inventory reduction program, since the funds will not be disbursed until after the year-end. Other changes in expected year-end items have involved a further reduction to a total net non-budgetary requirement of only \$105 million. To this we must add an amount on account of exchange transactions of about \$310 million up to the present, somewhat more than was recorded earlier in the Budget Papers. Offsetting these cash requirements on non-budgetary account against the budgetary source of cash, we anticipate that our net over-all cash requirement for the fiscal year ending March 31 next will have been about \$60 million. I have already explained that our marketable bonds in the hands of the public decreased slightly. However there was a net increase in Canada Savings Bonds outstanding of \$374 million, and small increases in treasury bills outstanding, and in non-marketable securities held by the Unemployment Insurance Commission. These were more than enough to meet the net cash requirements,

[Mr. Benson.]

and should result in an increase in our Canadian dollar cash balances of about \$400 million, to a figure which I now forecast at about \$1 billion at the year end; that is March 31.

Economic Prospects

Let me turn now to the year behind. I shall speak first of the prospects for the economy and of the fiscal outlook under these circumstances. Then I shall turn to policy issues and proposals.

With the pace of economic activity now somewhat reduced, I expect that the economy will continue to move upward in 1970, but at a lower rate than in 1969. In terms of volume of output, the rate of growth in 1970 may well be  $1\frac{1}{2}$  or 2 percentage points lower than last year's 4.8 per cent. Employment will continue to rise, but more slowly than in 1969, and I anticipate some increase in unemployment. There will also be difficult wage negotiations. Some of these negotiations may issue in strikes—perhaps prolonged ones—before settlements are reached. Profits, which have already begun to fall, are likely to fall further in the coming year, in total dollars and per unit of output.

Mr. Speaker, we have a hard task ahead of us in bringing about a significant reduction in the rate of rise of prices and costs. It is the policy of the government to restrain the growth of total spending in the economy, for that is a necessary condition for achieving our primary economic objective. We shall continue to support the work of the Prices and Incomes Commission which is striving to engage business, labour, consumers and governments in a united resistance against inflation. To the extent they succeed, the objective can be reached with less severe fiscal and monetary measures than would otherwise be necessary.

To translate a 3 per cent growth of real output in 1970 into value terms requires a forecast of the success to be achieved in all our efforts to stem inflation. This is particularly hazardous this year. We just cannot tell how soon or how far the slowing of growth in demand and in production will bring about a slowing down in price increases. In forecasting revenues we assumed that prices will increase slightly less than last year. But if we could cut the rise in prices to say three-quarters of the rate last year, and if as the year progresses this trend is clearly evident, we shall

have good cause to be pleased. Any shortfall in our revenues for this reason would be welcome.

We have also been encouraged in our efforts to check the inflationary rise of costs and prices by the co-operative approach of the provincial governments. This was made clear, as honourable members will recall, at the conference of first ministers in mid-February. The consensus contained in the conference communique indicated the broad support of the provinces for the program of voluntary restraint, and their own intentions, so far as their particular circumstances permit, to apply the proposals of the Prices and Incomes Commission within their own jurisdictions.

• (8:20 p.m.)

There was, of course, continued emphasis at the conference on the financial pressures facing provinces and municipalities, as projected in the report of the Tax Structure Committee. Much of this emphasis was naturally focused upon the sharing of tax resources. However, there was also evident a deeper awareness of the fact that the demands upon governments at all levels for new and improved services of all kinds—and from all parts of society—are outrunning the growth of revenues. This is the fundamental problem responsible for financial pressures upon governments. It is also true that the brunt of these demands has fallen upon the provinces and municipalities. Their expenditures have been rising rapidly as a percentage of the gross national product during the past dozen years, while those of the federal government, excluding transfers to the provinces, have remained relatively constant. However, there was a clear recognition that in an environment of erosive inflation it is necessary to contain these rising demands. Consequently, even though the projections of provincial budgets for 1970-71 showed a very large increase in potential deficits, most of the provinces indicated their intentions to do everything possible to reduce or eliminate the projected increases. The Ontario government is a particularly significant case in point, having in mind both the size of its budget and the predominant position of the Ontario economy in the total national picture. If Ontario is successful in achieving its stated objective of a balanced budget, the fiscal position of provincial and municipal governments in the aggregate should not be markedly different in 1970-71 from the position achieved in 1969-70. This is an important element in the national struggle to beat inflation.

### Fiscal Prospects

What are the prospects for our fiscal position, given our present programs? My colleague, the President of the Treasury Board (Mr. Drury), has tabled the estimates of expenditure for the coming fiscal year. On the basis of these estimates, and making some modest allowance for contingencies, as well as for lapses in appropriations, I am forecasting budgetary expenditures in 1970-71 of some \$12.9 billion. My colleague has drawn the attention of hon. members to the important part of the projected expenditure increase which consists of the items we share with the provinces and over whose magnitudes we do not have much control. Members are aware of our sustained effort to restrain the growth of expenditures over which we do have control, including those to which we attach a particularly high priority at the present time. We have given highest priority to such expenditures as those for regional expansion, for the development of bilingualism, for improvement of technology in industry and for improving the position of Indians and Eskimos.

Our budgetary revenues based on the existing tax law will be higher in 1970-71 than in the past year, as the economy continues to grow. But because growth will be slower our revenues will not be as buoyant as in the past year. The receipts from the corporate income tax will be particularly affected both by the lower levels of profits that we anticipate and by the fact that the revenues have already reflected most of the once-and-for-all gain from the speed-up of corporate tax payments. Moreover, as part of the program of restraint in price and cost increases we have postponed a number of increases in charges for government services, and the implementation of the air fares tax. We are forecasting revenues of \$13.2 billion. We expect the budgetary surplus to be \$300 million. This is to be compared with the surplus of \$355 million in the current fiscal year noted above.

Our net non-budgetary cash requirements, apart from those arising from exchange transactions, are expected in 1970-71 to be approximately \$775 million. Of this total, \$100 million will arise from the cash outlay for the wheat inventory reduction program. Leaving this wheat item out of account in each year, the increase has been from about \$650 million forecast last June for 1969-70 to about \$675 million now forecast for 1970-71.

In fact, however, the net amount required for those non-budgetary purposes in 1969-70

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has turned out to be much less, for several reasons as I have previously noted. A number of our lending programs, such as those for farm credit and international development, as well as the investment programs of our Crown companies, required less than we forecast. These changes, together with the substantial budgetary surplus, reduced our net cash requirements to an unexpected but welcome low level.

We cannot expect a similar reduction this year. While our estimated non-budgetary requirements include some allowance for contingencies, as they should, they also reflect increases in a number of firmly established programs of high priority. Among these increases are the following:

- nearly \$150 million more for loans to Central Mortgage and Housing Corporation to assist in offsetting an expected decline in the flow of private funds into financing housing, to give more emphasis to low-cost rental housing, and to finance more municipal sewage plants urgently needed to reduce pollution;
- about \$25 million more in mortgage funds for farm credit, chiefly to assist prairie farmers in readjusting to meet the new outlook for grains;
- about \$40 million more for Atomic Energy of Canada to invest in advanced power plants and a large heavy water plant to meet the urgent shortage of that important material;
- about \$40 million more for loans to less developed countries as part of our external aid program;
- about \$50 million more for loans for regional economic expansion, on which all of us place high priority.

As a result, the forecast total of our lending programs, net of repayments, will be increased from about \$1,150 million in 1969-70 to about \$1,675 million in 1970-71.

These loans are important uses of the nation's savings for investment purposes. However, their economic impact must be assessed, and they must be budgeted as carefully as expenditures. Moreover, they have important effects on our government financing program, and on the management of monetary policy.

Taking the projected budgetary surplus and net non-budgetary requirements together, our net cash requirements for the year 1970-71 are expected to be some \$475 million—excluding amounts that may be required to finance foreign exchange transactions.

[Mr. Benson.]

• (8:30 p.m.)

In terms of the national income accounts, as compiled by the Bureau of Statistics in recent years and used by economists, we estimate that the federal government sector, excluding the Canada Pension Plan, has had a surplus of \$570 million in 1969-70 and, on the forecasts I have given, would show a surplus of \$180 million in 1970-71.

General Policy

It is evident that the federal government's fiscal position as a whole in 1970-71 will be exerting somewhat less restraint on the economy than in this year. In part this will be due to the emergency wheat inventory reduction program. I am satisfied that the measure will be in the interest of the nation as well as in the long-term interest of the wheat producers in Canada. In part the change in our fiscal position is due to expenditures, particularly the transfers to the provinces for health and education, rising somewhat more rapidly than revenues. It is also due to our increased lending programs for housing and farm credit where the capital market is not providing an adequate flow of private funds to meet the needs of balanced growth and development. In general, the fiscal effects of our operations will be better distributed regionally than last year. Our regional expansion expenditures, revenue equalization grants and other payments will be higher in the areas of less inflationary pressures. Our revenues, of course, are growing more rapidly where incomes are increasing more rapidly.

These forecasts are based upon expectations of lower rates of growth in employment and production, and an economy operating at a lower percentage of capacity than during 1969-70. If we could be concerned only with the pressure of total demands upon our productive capacity and markets, further action would not be necessary. However, there has been no slowing down in the rate of increase of prices and wages and other incomes. Costs continue to push prices up. Slower real growth has not yet reduced inflation. I sincerely expect it will do so as the year proceeds. The code of price behaviour arranged between the Prices and Incomes Commission and representatives of business and the professions, should assist materially in bringing about some reduction in the rate of price increases. We must give it a chance to take effect. We must also give organized labour time to decide whether and how it should join

in some sort of agreed program to moderate the pressure of costs on prices.

**Some hon. Members:** Hear, hear!

**Mr. Benson:** In these circumstances, I feel some additional specific restraints upon the economy are necessary to maintain the pressure against the price and cost increases. I am not proposing any tax increases in this budget.

**Some hon. Members:** Hear, hear!

**Some hon. Members:** Oh, oh!

**Mr. Horner:** You have your white paper. What more do you need?

**Mr. Benson:** I am terribly upset that the opposition wanted tax increases which I have not provided. I am informed that this will be the first budget since 1913 in which there were no Ways and Means motions.

**Mr. Diefenbaker:** When will be the next budget—in six months?

**Mr. Benson:** I am proposing, however, two measures of a special character that will help to implement our determination to bring inflation under control.

### Proposals

The first concerns construction. This industry has been a leader in the inflationary spiral, even though the total volume of construction has not increased substantially since 1966. There are special characteristics of this industry which make it particularly prone to "cost-push" inflation. As a government we are encouraging the construction of housing on a large scale, and also industrial construction in those regions in need of expansion. We think both deserve priority in all parts of Canada. On the other hand we do not wish to aggravate the peculiarly inflationary situation in this industry—which was vividly in evidence last year. Last June we introduced a measure of mild restraint on commercial construction applying to the main urban areas of the three provinces of most rapid economic growth. This appears to have had some effect in deferring projects of lower priority or profitability, though it is hard to disentangle its effects from the many other influences at work.

The recent medium-term survey of the capital investment outlook published by the Economic Council forecasts a rapid expansion of commercial investment in 1970—a rate of increase several times that for business generally. This and other information leads me to the conclusion that we should maintain the

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force of the depreciation measure we introduced last June. Hon. members will recall that the right to claim depreciation for tax purposes was postponed for two years on commercial construction begun after budget night. The postponement applied only to construction costs incurred on these projects up to the end of 1970. Initially, then, it applied to work done within the following 18 months. However, now, in its present form, it applies only to work done in the nine months until the end of 1970. Consequently, the force of the measure has been reduced by the lapse of time. I am now proposing that, for projects commenced between tonight and the end of 1970, the postponement will apply to construction costs incurred up to the end of 1971. The effect of this change will be to restore approximately the same impact to the measure as it had when it was first introduced. It will apply only to buildings to which the original measure would have applied.

This decision will be implemented, as last year, by a regulation under the Income Tax Act.

The second action I propose is that Parliament enact a control over the terms of consumer credit similar to the act passed in another inflationary situation 20 years ago.

**Some hon. Members:** Hear, hear.

**Mr. Benson:** It would be a temporary anti-inflationary measure, intended, in the national interest, to safeguard the integrity of our currency. It would authorize the government to regulate the terms of credit extended to consumers by various kinds of lending institutions and merchants. It would apply to banks, sales finance companies, consumer loan companies and other lenders, and to department stores, automobile dealers and other merchants. In general, our intention would be to use this act to require a minimum down payment for large purchases being financed by credit extending for more than one year, and to limit the period over which such credits must be repaid. We would not propose to interfere with credit for small purchases—say under \$100—nor with ordinary charge accounts, payable within 60 days, nor with revolving credit or budget accounts requiring regular monthly payments that would repay them within 12 months. It would not apply to outstanding loans or the terms of purchases already made on credit.

• (8:40 p.m.)

The purpose of the action proposed is to limit the growth of consumer expenditures in

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the present inflationary situation. We have in mind not only spending on durable goods but also on other goods and on services such as travel. In recent years the rate of increase of consumer expenditure has been stimulated and supported by substantial, though somewhat uneven, increases in consumer credit outstanding. I can well understand the smile of the Leader of the Opposition (Mr. Stanfield) who was threatened by a bomb yesterday, and he may not want to travel any more.

Mr. Speaker, the increase in consumer credit was particularly rapid in the first half of last year. It slowed down after mid-year because of the levelling out of unsecured personal loans by the banks, but the latest figures indicate that growth in consumer credit has been resumed. It now seems probable that the expansion of consumer spending this year will be reinforced by a large increase of credit unless some action is taken to check it. We believe that selective action along the lines proposed would be better than more general measures that would interfere with the flow of funds required for housing and for industrial and urban development in our country.

We do not intend to restrict loans for business purposes, including farming, or loans for the acquisition, construction or improvement of houses. Student loans for education would, of course, also be exempt.

It is difficult to forecast the quantitative effect on consumer expenditure of requiring specified down payments and limiting the period of repayment. We are planning to require down payments of 20 per cent where credit is extended for more than a year and to require repayment within 30 months for automobiles and 24 months for other purchases. We think these terms will have only a very moderate impact on the purchases of new cars which are already temporarily low just now. We think it will bear directly somewhat more heavily on other purchases particularly of durable goods and holiday trips. The reduction in spending will probably affect indirectly a wide variety of goods and services, as many consumers can be expected to divert their spending from less desired things in order to make the down payments on what they want most, and to pay off their credit more rapidly than they otherwise would. In all, we think that the total of consumer expenditures might be reduced by \$300 million or \$400 million a year, which is less than one per cent of the total of consumer purchases.

[Mr. Benson.]

In order that the legislation and regulations can properly take into account the variety of institutions and practices involved in extending credit to consumers, I intend to have my department consult with representatives of those who provide credit or sell on credit. I would expect the government to be in a position to introduce the legislation in about six or eight weeks.

I am not proposing any legislation on taxes or tariffs at this time. We will need to keep a close and continuing watch on the condition of the economy and particularly the success achieved in checking the rate of increase in prices and wages. Possibly legislation will be needed in the autumn. Meanwhile, I do not anticipate any lack of interest in any parliamentary discussion of the subject of taxation.

In regard to tariffs, I should say that since the last Budget I have received a number of requests for amendments to the Customs Tariff, some for increases and some for decreases. I have decided that I would not introduce any changes at this time. This will mean postponing any action on two reports in which the Tariff Board recommended higher duties—in one case on live turkeys, in another on polyethylene.

**Some hon. Members:** Oh, oh!

**Mr. Paproski:** How long?

**An hon. Member:** This budget is a real turkey.

**Mr. Benson:** I consider that this is not an appropriate time to propose even modest increases in protective tariffs in Canada. I will be prepared to take decisions on these reports at a later date.

**Some hon. Members:** Hear, hear!

**Mr. Benson:** I wish to make an important announcement concerning air and water pollution. We have permitted accelerated capital allowances under the Income Tax Act to encourage and assist industry to invest in structures or equipment for the primary purpose of preventing or reducing the pollution of Canadian waters. This section of the regulations expires December 31, 1970. We are now proposing to revise and extend it for another three years. Before it is necessary to extend it beyond 1973, I expect it will be reconsidered in the light of more general policies and programs in respect of pollution.

We have also decided in principle that we should grant a similar special allowance in

respect of structures and equipment acquired after tonight primarily for the purpose of preventing or reducing air pollution.

**Some hon. Members:** Hear, hear!

**Mr. Benson:** In the case of air pollution, some need to minimize smoke and fumes, however, has usually been taken for granted and regarded as a normal cost of production, while other measures are undertaken in part to improve efficiency or to produce saleable by-products. Therefore, I wish to consider the details that should be included in a regulation on this subject and would welcome receiving the views of those concerned.

This concludes the proposals and announcements I wish to make. Since the proposed measure in regard to consumer credit will reduce consumer expenditures, it will also reduce our various revenues by about \$50 million during this coming fiscal year. I do not expect the other proposed changes to have any significant effect on our revenues this

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coming year. Taking the \$50 million into account will reduce our budgetary revenues in 1970-71 to \$13,150 million and reduce the prospective budgetary surplus to \$250 million.

At this point, Mr. Speaker, I would ask permission of the House first to insert in *Hansard* a small table giving the estimated yield of our main categories of budgetary and old age security revenues for 1969-70 and for 1970-71 and secondly, as in recent years, to include with the Budget Papers, as an appendix to *Hansard*, tables and explanatory notes giving the budget figures for 1968-69, 1969-70 and 1970-71 in terms of the national economic accounts in the form published by the Bureau of Statistics, together with a reconciliation with the budgetary accounts.

**Mr. Speaker:** Is the minister's request agreed to?

**Some hon. Members:** Agreed.

[*Editor's note: The tables above referred to are as follows:*]

BUDGETARY AND OLD AGE SECURITY REVENUES  
(\$ million)

	1969-70 Preliminary	1970-71 Forecast
<i>Budgetary Revenues</i>		
Personal Income Tax.....	4,592	5,290
Corporation Income Tax.....	2,605	2,480
Non-resident Tax.....	240	255
Estate Tax.....	105	115
Customs Duties.....	815	835
Sales Tax.....	1,725	1,755
Other Duties and Taxes.....	905	1,000
Total Taxes.....	10,987	11,730
Non-tax Revenues.....	1,283	1,420
Total Budgetary revenues.....	12,270	13,150
<i>Old Age Security Revenues</i>		
Personal Income Tax.....	1,027	1,170
Corporation Income Tax.....	227	230
Sales Tax.....	569	600
Total Old Age Security Revenues.....	1,823	2,000

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## FEDERAL GOVERNMENT REVENUE AND EXPENDITURE ON NATIONAL ACCOUNTS BASIS

	1968-69	1969-70 Preliminary	1970-71 Forecast
	(millions of dollars)		
<b>A. Revenue</b>			
1. Direct taxes, persons.....	4,455	5,725	6,575
2. Direct taxes, corporations.....	2,025	2,090	2,065
3. Withholding taxes.....	205	240	255
4. Indirect taxes.....	3,830	4,035	4,220
5. Investment income.....	990	1,180	1,395
6. Employer and employee contributions to social insurance and government pension funds.....	895	1,040	1,110
7. Total revenue.....	12,400	14,310	15,620
<b>B. Expenditure</b>			
1. Goods and services: defence.....	1,845	1,845	1,875
2. Goods and services: others.....	2,775	3,280	3,640
3. Transfers to persons.....	3,430	3,680	4,010
4. Interest on public debt.....	1,445	1,660	1,735
5. Subsidies.....	395	450	475
6. Capital assistance.....	65	105	115
7. Transfers to other levels of governments.....	2,525	2,720	3,590
8. Total expenditure.....	12,480	13,740	15,490
<b>C. Surplus (+) or Deficit (-)</b> .....	- 80	+ 570	+ 130

## FEDERAL GOVERNMENT REVENUE

## PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION

	1968-69	1969-70 Preliminary	1970-71 Forecast
	(millions of dollars)		
1. Budgetary revenue.....	10,191	12,270	13,150
<b>Deduct:</b>			
2. Budgetary return on investment.....	- 695	- 801	- 900
3. Post Office revenue.....	- 311	- 353	- 375
4. Other non-tax budgetary revenues.....	- 199	- 129	- 145
	(-1,205)	(-1,283)	(-1,420)
5. Corporate income tax, excess of accruals (+) over collections (-).....	- 188	- 742	- 645
<b>Add:</b>			
Extra budgetary funds revenue:			
6. Old age security taxes.....	1,626	1,823	2,000
7. Unemployment insurance fund—employer-employee contributions.....	435	500	515
8. Government pension funds—employer-employee contributions.....	460	540	595
9. Prairie Farm Assistance Act levies.....	8	6	6
	(2,529)	(2,869)	(3,116)
Government investment income:			
10. Interest on loans, advances and investments.....	395	475	550
11. Interest receipts on social insurance and government pension funds.....	255	285	400
12. Profits before taxes (net of losses) of government business enterprises.....	340	420	445
	( 990)	(1,180)	(1,395)
13. Miscellaneous <sup>(1)</sup> .....	83	16	24
14. Total Revenue, National Accounts Basis.....	12,400	14,310	15,620

<sup>(1)</sup>These miscellaneous adjustments represent revenues from miscellaneous direct and indirect taxes and adjustments for the supplementary period. In the National Accounts, revenues in the supplementary period are shifted into the following fiscal year.

[Mr. Speaker.]

The Budget—Mr. Benson

FEDERAL GOVERNMENT EXPENDITURE

PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION

	1968-69	1969-70 Preliminary	1970-71 Forecast
	(millions of dollars)		
1. Budgetary expenditure.....	10,767	11,915	12,900
<i>Deduct:</i>			
2. Budgetary transfers to funds and agencies <sup>(1)</sup> .....	- 716	- 776	- 737
3. Post Office expenditure.....	- 342	- 350	- 396
4. Deficit of government business enterprises.....	- 82	- 88	- 85
5. Reserves and write-offs.....	- 157	- 297	- 36
6. Purchase of existing capital assets.....	- 11	- 11	- 11
7. Budgetary revenue items offset against budgetary expenditure <sup>(2)</sup> .....	- 84	- 88	- 92
	(-1,392)	(-1,610)	(-1,357)
<i>Add:</i>			
Extra budgetary funds expenditure:			
8. Old age security benefits.....	1,541	1,730	1,905
9. Unemployment insurance benefits.....	459	520	610
10. Government pensions.....	159	165	205
11. Prairie farm emergency payments.....	7	7	7
	( 2,166)	( 2,422)	( 2,727)
12. Expenditure of government funds and agencies <sup>(1)</sup> .....	702	853	827
13. Miscellaneous <sup>(3)</sup> .....	237	160	393
14. Total expenditure, National Accounts Basis.....	12,480	13,740	15,490
15. Surplus (+) or deficit (-), National Accounts Basis.....	- 80	+ 570	+ 130
16. Surplus (+) or deficit (-), budgetary basis.....	- 576	+ 355	+ 250

<sup>(1)</sup>In the national accounts, budgetary appropriations to various funds and agencies are replaced by the expenditure actually made by these funds and agencies.

<sup>(2)</sup>This item mainly consists of revenue from sales of goods and services by the government. These sales appear as final expenditure of the private sector and are deducted to avoid double counting.

<sup>(3)</sup>This item includes the supplementary period adjustment. In the national accounts, expenditures on goods and services in the supplementary period are divided between adjacent fiscal years; most other expenditure are shifted entirely to the next fiscal year.

**Mr. Benson:** Mr. Speaker, the reduction of \$50 million in our revenues will also increase our net cash requirements for the year 1970-71 to some \$525 million, excluding amounts that may be required to finance foreign exchange transactions.

While our prospective cash requirements for the next fiscal year are higher than those of the fiscal year now closing, I am confident they can be met in a manner consistent with our anti-inflationary policy. We shall, of course, have to enter the market from time to time if only to refund our maturing debt. Our cash balances at the beginning of the year will be about a billion dollars and can safely be reduced somewhat during the year. It should be possible again to raise funds by a Canada Savings Bond campaign.

I would expect that these factors, together with the improved state of the bond market and persistence in our anti-inflationary measures will make possible a smooth and success-

ful debt management program this coming fiscal year.

In concluding, Mr. Speaker, I would like to emphasize several simple points. First, we must continue with firm measures to accomplish our purpose in checking the rise in prices. This is essential in itself to convince those in the capital market, the labour market and the markets for goods and services that they should not expect inflation to continue year after year. Second, we must continue to do what we can to recognize the differences in the various parts of our country and the several sectors of our economy. Third, we must be flexible in our ability to respond to changes in the economic situation. The record of recent years proves that Parliament and the government can act promptly when that is necessary to meet new or changing circumstances.