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For Peace For Jobs

Canada's Liberal

Path

to

Prosperity, Progress

and Peace

XXX

THE PEARSON PLAN

Code: SP-1

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I. CHARTER FOR CHANGE

The Liberal party submits to the Canadian people, for the general election of March 31, 1958, a programme rooted in the fundamental principles of Canadian Liberalism. These principles have served Canada well through all the years during which Canadians chose Liberals to be responsible for our country's national affairs.

The particular policies we propose now are, of course, different in some respects from those we proposed and carried out in the past. We are proud of the change. When our opponents say, "Why didn't you do these things you propose now when you were in office previously?" they betray their failure to understand how honest democratic government should, and indeed must, operate.

Why We Do It Now

The world has changed since our last general election. There is no merit in platforms that have merely been dusted over since last June.

Last summer the winds of inflation were still blowing hot, and we had to lean against the wind. That was necessary to prevent the savings of the Canadian people being blown away.

Now the wind has dropped. We have to get the draught going again in the fires of the Canadian economy.

When you drive a car up a hill, you step on the accelerator. When you are driving down the other side, you use your brake.

Would you be a better driver if you did the same things at all times and

places? No: -- If you never took your foot off the brake, you would never get anywhere; if you never took your foot off the accelerator, you would soon leave the road.

What's policy for a driver going uphill is heresy for a driver going downhill -- and if he doesn't know the difference between going uphill and going downhill, neither he nor his passengers are safe.

So far from standing still under Liberal leadership. Canada made outstanding national progress; so much so that in recent years our country's growth and prosperity have been the envy of the world.

This was not achieved by inactivity. Indeed, our opponents more often complained that Liberal Governments were too active. The Canadian people, who re-elected them so often, felt that most of the time they were about right. The record of achievement -- in domestic prosperity, in social justice, in increasing security and rising living standards for all Canadians, in freedom and in our contribution to world peace -- confirms their judgment.

Liberal policies were proved by experience to be the right policies for those times. They met the needs of our national situation.

The things the Liberal party proposes now are the things that need doing now. They are the answer to today's problems, not yesterday's. Liberalism is a fighting faith that continually seeks to reform abuses in our society and to open up new horizons for Canada's progress.

Liberalism for Progress

The key principles for Canadian Liberalism were stated in the resolutions of the National Liberal Convention in Ottawa in January. They are:

The FREEDOM that gives every citizen his or her full opportunities of individual growth and happiness;

The full DEMOCRACY, bred in freedom, that creates social justice and welfare for all;

The rapid PROGRESS, spiritual and material, that is based on freedom and creative initiative;

The real SECURITY that the individual must have in order to benefit from the opportunities of a free society;

The national UNITY of a federated people that is obtained through respect and understanding by individuals and through fairness, and adherence to constitutional principles, by government;

The international PEACE which Canada through co-operation seeks for all mankind.

The Liberal platform for 1958 is the expression of these principles in a programme of immediate action to meet our country's present needs.

II. PEACE

In these times, with the new techniques of terror applied to the weapons of war, government mistakes in the conduct of world affairs endanger our lives, and the lives of our children, with utter devastation. If we cannot keep the peace, all other policies and promises of government are dust.

Of course all Canadian parties are in favour of peace, just as they are against sin. The point at issue is not whether peace is our object but whether we know how to pursue it. This is not an easy task in a troubled world where events move so quickly; but we cannot afford mistakes.

The Liberal party brings to world affairs a proved record of high objectives and practical experience. The "London Economist" last year summed up Canada's achievements under Liberal Governments by referring to "Canada's position not merely as a power with a mind of its own but also as an unusually constructive contributor to the world's councils". The Economist pointed out to the free world how much it had in the postwar years "come to depend on Canada's mastery of its new role."

The world-wide acclaim of Canada's contribution to peace was summed up dramatically last year in the award of the Nobel Peace Prize to Lester B. Pearson. Under his leadership, a Liberal Government would do all that could be done to realize the aims of free men everywhere -- lasting peace and the improvement of man's lot throughout the world.

This is a task in which experience counts and Canada has too much at stake to risk anything less than the best.

III. PROSPERITY

The immediate need of the Canadian people is to stop the recession. Swift action is essential to restore confidence and put half a million Canadians back to work. Otherwise, we will all -- whether in jobs or out of jobs -- suffer in income; we will lose the real security of a steady income that has transformed the lives of Canadians in the past 25 years.

The Liberal party has an immediate, comprehensive and practical plan to create jobs and increase incomes.

This plan can be put into effect by bringing down a budget immediately. Since both the proposals and their costs are clearly set down, there will be no nasty surprises for the electors when they see the price-tag after the voting is over, and no delays while the Minister of Finance fumbles for ways to pay for what his colleagues have promised.

The key point of the Liberal proposals is to create jobs for Canadians and markets for Canadian goods by putting cash in the hands of Canadian customers. This is the quickest way to get Canadian farms and factories operating at full tilt again.

Besides tax cuts, we make proposals for providing greater family security and plans for the construction of practical public works.

When confidence and jobs have been restored, and Canadian families once more feel secure, the Canadian nation can move again along the road of economic expansion and progress that we trod, with such benefit to all Canadians, when there was Liberal leadership.

At home, the country can be strengthened and enriched by proper attention

to education, scientific advancement, and balanced economic growth. Abroad, Canada can again sound the clear and confident note in world affairs that was heard with such respect in every land.

WHAT THE PEARSON PLAN OFFERS FOR INDIVIDUALS AND FAMILIES

Lower Tax Rates

Canadians spend what they get in their pay-envelopes after deductions. With fatter pay-envelopes, we will all feel free to spend more. The Pearson plan would add \$6.66 a month to the actual take-home pay of families with a taxable income of \$2,000 a year. It would add proportionate amounts to other incomes. Spread over all the Canadians who pay taxes, this amounts to about \$250 millions more spending power in the hands of the consumers.

This spending power is much more potent in creating jobs than money in the hands of the government. Consumers don't have to have an inter-departmental meeting before we spend money. If we feel assured of more money each month, we can go out and spend it at once. Then it boosts business for the retailer, who buys more from his suppliers, who increase their orders for goods from farms and factories. The result: more jobs.

HOW WE WILL DO IT

A reduction of four percentage points on the rates of tax paid on the first \$3,000 of taxable income.

	YOU PAY	YOU SAVE	
	NOW	UNDER THE PEARSON PLAN	
On the first \$1,000 of taxable income	\$130	\$ 90	\$ 40
On the second \$1,000	\$160	\$120	\$ 40
On the third \$1,000	<u>\$190</u>	<u>\$150</u>	<u>\$ 40</u>
TOTAL FOR A TAXABLE INCOME OF \$3,000	\$480	\$360	\$120

On the first \$3,000 of taxable income, you will save \$1 out of every \$4 you pay now.

The Dowry Plan

Young couples start married life wanting to buy and equip a home of their own as soon as possible. This is good for family life and good for the country. To make it easier the Pearson Plan will give young couples special tax relief for the first three years of marriage.

Most young couples will pay no taxes at all for that period. Only those with unusually high incomes -- those who now pay more than \$290 a year in taxes -- will still be taxed. The money most couples save will be spent to buy homes and furniture, clothes and better food.

Besides increasing the demand for goods, by some \$25 millions a year, and so creating jobs, this special "dowry" provision will take the pressure off many young wives who now feel they must work in order to help establish a home.

<p>HOW WE WILL DO IT</p>

Raise the basic tax exemption for a married couple from \$2,000 to \$4,000 during the first three years of married life.

If you have been married since January 1, 1956 and can't claim other tax deductions, the result is:

	YOU PAY		YOU SAVE
	NOW	UNDER THE PEARSON PLAN	
With a total income of \$3,000	\$130	nothing	\$130
With a total income of \$4,000	\$290	nothing	\$290
With a total income of \$5,000	\$480	\$90*	\$390

(* -- Includes effect of lower tax rates.)

Extended Family Allowances

Family allowances now stop when a child reaches 16, yet many families want to keep their sons and daughters at school longer in order to give them the training and education they need. To help Canadian families provide more education for their children, the Liberal party proposes to extend the family allowance to age 18, where the boy or girl is a student.

Besides taking some pressure off the family budget, this provision will encourage young Canadians to get the best possible education, and reduce the number of teen-agers seeking unskilled jobs.

Help for Students

The Liberal party believes that no young Canadian who has the ability and ambition to make use of education should be deprived of that education for lack of money. Therefore, we would provide for the award of 2,500 Canada Scholarships and 7,500 Bursaries every year, to students who can pass an open examination conducted in both official languages. When the scheme is in full effect -- with the students staying at the university for four years each -- this will provide \$25 millions of assistance to Canadian families who are seeking the best possible education for their children.

HOW WE WILL DO IT

The open examinations would be conducted by the National Conference of Canadian Universities, free from government interference. In addition, a university loan fund would be made available, from which students could borrow, under the supervision of the National Conference of Canadian Universities, to enable them to take advantage of a university education. The loans would be interest

free during the university years and for one year afterward; then they would carry interest at 4 per cent. Repayment would be required within the next four years.

Neither of these plans would be restricted to Canadians who have just left school. Older Canadians who wished to get education they missed earlier in life would be free to compete in the examination and apply for the loan. There are no requirements but ability, ambition and serious purpose.

Sickness Insurance

If a Canadian is laid off, he draws unemployment insurance; but if he loses his job through illness, his income stops. To his family's concern over his health is added anxiety over how they are to live until he is able to work again.

The Liberal party would improve the law; it would provide unemployment insurance benefits to people who are out of work because of illness on the same basis as benefits are now paid to people who lose their jobs for other reasons.

Old Age Assistance

There is a serious gap in provisions for old age, one which particularly affects women workers. Many companies retire their women workers when they reach the age of 60, and men at 65. But old age assistance is not available for anyone until 65. For unmarried women and widows, we would make it available at 60.

Mobile Pensions

Canadians are an active people, willing to move from place to place or job to job in order to improve their income and work more effectively. This willingness to change is of real value to the country as a whole and to the individual in his efforts to make a good living for his family. But present pension arrangements

discourage this mobility. A man or woman who leaves one employment can get back what he has paid into a pension fund but not all that his employer has paid in on his behalf. The Liberal party would introduce in new pension plans provision for early "vesting" of benefits, so that a Canadian who changes his job can carry his pension with him.

National Pension Plan

A Liberal government would give prompt consideration to a national contributory pension scheme, co-ordinated with existing provisions for retirement and old age security.

The pensions would begin at age 65 and be based upon federal government contributions as well as upon contributions of employees, employers and self-employed. This is a highly complex problem requiring agreement with the provinces, but we would act as quickly as is consistent with establishing a really sound and effective scheme in the general interest.

Health Insurance

We would add to the hospital insurance scheme, established by the last Liberal government, provision against major medical, dental and surgical expenses.

One method of achieving this added social security would be for the government to pay medical and other expenses which exceeded either a basic minimum or a reasonable proportion of a person's or family's income. Such a scheme depends on cooperation with the provincial governments, but we would be willing to explore any method of ensuring that henceforth no Canadian would be financially crippled by illness.

Better Working Conditions

The immediate policies of a Liberal government on labour matters would be:

1. To extend unemployment insurance benefits to the widest possible coverage.
2. To legislate for a national minimum wage and minimum working hours in all work under government contract and all industries under federal jurisdiction.

Winter Employment

In order to provide special incentives for work to be carried on in the winter months whenever possible, a Liberal government would set an example to private enterprise and to provincial and local governments by recognizing that winter joblessness is a real cost to the community and it is therefore sound economics to carry on some kinds of work even though they are more expensive in the winter. Wherever appropriate, therefore, we would provide in federal contracts the payment of adequate extra costs where work is done in the winter; and we would offer effective grants-in-aid to the municipalities and other local authorities to enable them to do the same.

Better Housing

The National Housing Act, brought in by the Liberal government, has worked well to give Canadian families the opportunity to own their own homes. But it needs changes to meet the new conditions of 1958.

In particular, income requirements under the act must be changed so that NHA mortgages will be available to more families. For the same reason, NHA valuation procedures must be modernized to take account of the real value of houses in 1958.

This will make it easier to own a new home without having a high down-payment or getting a costly and burdensome second mortgage.

IV. WHAT THE PEARSON PLAN OFFERS FOR FARMERS

Price Supports

At its National Convention, the Liberal party undertook to maintain and extend a system of support prices and deficiency payments, where appropriate, administered in such a way as to provide for farmers prices for their products bearing a fair relationship to their costs of production and designed to ensure to farmers a fair share of the national income and to encourage the production of marketable farm products.

As immediate actions to implement this program, the Liberal party makes two specific proposals:

1. We will bring wheat, oats and barley under definite price supports.

The minimum level of support for the 1957 and 1958 crops will be \$1.50 basis No. 1 Northern at Fort William, with equivalent prices for other grade of wheat and for oats and barley. This would increase by 10 cents the present initial price of wheat. For barley, the initial price would be raised by 4 cents, and for oats by 5 cents, and the new prices would be a guaranteed support level for the 1957 and 1958 crops.

2. The support price for butter will be increased from 58 cents to 63 cents.

This would not change the present price to the consumer but would ensure the producer more security of income.

Farm Development Bank

The Liberal party proposes to undertake, in cooperation with the

provinces, a new and vigorous programme of farm and home development. This requires that farmers, and particularly young farmers, should have access to adequate credit. The facilities must include the long-term credit needed for financing land and permanent improvements; medium-term credit for livestock and machinery purchases; and some short-term credit for feed and fertilizer purchases and other operating costs.

For these purposes, we would establish a Farm Development Bank.

This agency would be responsible for all government activities in the farm credit field; instead of the Canadian Farm Loan Board being controlled by the Department of Finance, all federal action on farm credit would be concentrated in the one bank directly responsible to the government. This would be the agency of an extensive programme for strengthening the family farm.

Rural Housing

Because of the rapid growth of our towns and cities, there has inevitably been a concentration on urban housing. There is also an urgent need to improve housing in rural areas and small towns. A Liberal government will therefore now make a bold attack on this problem, with the flexibility in planning, standards and finance that is necessary to match the varied needs of different areas.

Storage on Farms

Many farmers need better storage for their products. In addition to the readier provision of credit for all such farm improvement measures, the Liberal party's policy of allowing accelerated depreciation on capital expenditures -- that is, a faster write-off of the expense for tax purposes -- would facilitate the construction of granaries and other buildings used for the on-farm storage of farm products.

Wheat provides a special storage problem. In view of the surplus, the

last Liberal government relieved the farmer's burden in one of the fairest possible ways; by legislation providing that the taxpayers of Canada would undertake the storage costs on the abnormal carryover of wheat. This measure is providing more than \$30 millions a year of extra income -- real extra income, not an advance on future income -- to prairie farmers.

But with the continuing surplus of grain, the Liberal party believes that it is now necessary for the federal Treasury to bear abnormal storage charges not only for wheat in the elevators but also for wheat stored on the farms.

The best method of doing this would be discussed promptly with farm organizations. The scale of the scheme we aim at would involve payment equivalent to about 6 cents a bushel on wheat delivered from the time the scheme came into effect. It would provide about \$20 millions a year in extra income for prairie farmers.

V. WHAT THE PEARSON PLAN OFFERS FOR BUSINESS

Customers

What Canadian business needs today is customers with cash to spend. The measures outlined above would provide those customers, by restoring employment, improving incomes, and providing more security against illness and old age.

Canadians have plenty of unfilled wants, and Canadian business at present has idle capacity which could provide for those wants. The Liberal party program will bring need and capacity together and create jobs.

Besides dealing directly with consumers, Canadian businesses deal with one another. Our farms and factories depend heavily on confident business buying. To encourage business to expand, and increase demand for machinery and equipment as well as construction, the Liberal party proposes to use the tried and proven method of accelerated depreciation for tax purposes. This means that business firms large and small who undertake new investment would pay lower taxes than firms who stood still. By making it profitable to be progressive, this program increases the rate at which the Canadian economy grows.

Specifically, we propose to raise by between 50 and 100 per cent the rates of depreciation permitted on capital expenditures undertaken in the fiscal year beginning this April 1st.

The Special Excise Tax on Cars

The Conservatives used to complain about this tax at a time when it was a sensible measure against inflation. Now inflation is not the problem. The

special excise isn't necessary. Yet the Conservatives, who said they would abolish it at the wrong time, didn't abolish it at the right time but merely reduced it from 10 to 7½ per cent. Now that the economic situation justifies a change, we would make the proper change. We would abolish the tax altogether. This would reduce the price of cars and if the full reduction is passed on to the consumer, it would save the Canadian public about \$60 million a year.

Credit

The Liberal party believes that monetary policies should reinforce fiscal policies in working for steady economic progress in Canada. This is necessary in order to safeguard the purchasing power of the Canadian people's dollar in times of high activity; it is also necessary in order to stimulate business and employment if activity slackens. Just as economic conditions required restraint of credit in 1956 and early 1957, they now require expansion of credit, and a Liberal government would promote that expansion. It would also constantly make sure that the banking and credit system works fully in the public interest at all times; with this objective, we would safeguard the public against abuses of consumer credit by bringing small loan and finance companies within the scope of the Bank Act.

Overseas Markets

Liberal trade policies don't insult old customers; they win new ones. Instead of empty talk of "diverting" trade from the profitable channels through which it naturally flows, the Liberal party will provide new opportunities and expand Canadian trade on the widest possible basis.

The world trading picture is changing rapidly. We must be quick, imaginative and constructive to take advantage of the new circumstances which are arising.

The six countries of Western Europe have decided to form a customs union which will establish a common market of nearly two hundred million people. Great Britain has offered to enter into a free trade arrangement with this group. Our new Commonwealth partners in Asia, Africa and the West Indies are making heroic efforts to develop their economies and to improve their standard of living. The countries of the Communist bloc have indicated their willingness to expand their trade with the West.

Canada should have a positive and flexible policy in relation to these momentous developments in order to ensure that the opportunities for new and wider markets are available to our producers.

Here are the constructive proposals the Liberal party makes for expanding trade:

1. New trade negotiations not only with Britain but with all the members of NATO for the establishment of closer and freer trade within the entire North Atlantic Community including the United States.
2. Better credit facilities (through a new Export Bank based on the present Export Credits Insurance Corporation) to enable Canadian firms to finance an expanding volume of export trade;
3. More assistance to underdeveloped countries through the Colombo Plan and NATO, and, in particular, prompt and generous help to the new West Indies Federation; helping these countries grow is helping ourselves, because growing, prosperous economies promote world trade and preserve peace;
4. Immediate steps to halt the deterioration in our trading relationship with the United States. In particular we should restore assured and

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expanding markets for our oil, gas and mineral industries as well as safeguard the opportunities for all our primary producers in the markets of our largest customer.

Special Provisions for Small Business

Besides benefiting from the general improvements in business conditions noted above, small business would get special assistance from the Liberal government.

This would not take the form of free advice, or instructions on how to run a business. We believe that the individual businessman in Canada knows how to run his business and needs no interference from governments.

What we propose is tax relief for businesses earning less than \$10,000 a year, by cutting the corporation tax rate to 10 per cent on profits up to \$10,000 a year. Beyond that point, business would continue to pay 20 per cent (including the 2 per cent old age security tax), as all businesses up to \$25,000 do now. This tax cut would save businessmen \$25 millions a year.

The facilities of the Industrial Development Bank should be extended to include retail trade. Our small merchants have faced increasing competition from the large chains and at the same time have found it increasingly difficult to obtain capital for improvements and expansion. It is essential that our small merchants should have the opportunity to raise capital on reasonable terms.

An Enterprising Economy

The Liberal party believes that the public interest is best served by freedom of enterprise with equal opportunity for all.

We will therefore continue to maintain competition in our economy by effective legislation against monopoly, combines and restrictive practices and we will give positive encouragement to new and small business. Our tax and credit measures are designed to this end.

VI. PROGRESS

The Liberal programme is a programme for meeting the employment emergency, for restoring the prosperity and economic expansion which produces jobs and income security for all. It is also a true programme of national development.

Real development is not obtained by excessive emphasis on public works projects financed by government -- that is, paid for by the taxpayer. Such projects have, certainly, an important place in Liberal policy. There have been no greater public works than the St. Lawrence Seaway and the Trans-Canada highway, which were planned and undertaken by Liberal governments to the great benefit of Canada as a whole.

But such constructive projects are very different from an unplanned, panic-stricken rush into incurring liabilities for all kinds of public works as a means of making employment. Such measures are in fact a confession of defeat, so far as the present unemployment problem is concerned.

Large public works take months to plan. Immediately, they mean more business only for a few engineers and officials. The jobs they create are, in any large numbers, not jobs now but jobs a year from now. They are jobs in particular places, often -- as for example, with northern development -- in places a long way from where unemployed workers are now living. They take workers far from their homes and families, and their beneficial results are largely confined to a few localities.

The Liberal programme of tax cuts and of practical assistance to business is a far quicker way of stimulating the economy. The money that people

do not have to pay in taxes will be promptly spent. It means that people will buy more clothes and therefore create more jobs in the textile industry. It means that they will buy more refrigerators and therefore create more jobs in the engineering factories and the steel industry. And so on. It is a policy of meeting the employment emergency by enabling us all to spend more ourselves, how we want to spend it. It is national, not regional; democratic, not bureaucratic; fact, not show; fast, not slow;

It is also the sound long-term policy. The Liberal party believes that the fundamental role of government is to encourage the maximum possible release of individual energy and initiative. That is the basis on which a free economy will operate productively and vigorously, steadily and fairly, to the benefit of all the people. It is the proper basis for clearing up the mess which a Liberal government may inherit and for going on to renew the sound and vigorous economic growth which our country's great resources, and the ability of the Canadian people, make possible for us.

Specific government projects make their proper contribution within this comprehensive policy of economic progress. The following are among the most important of the measures and projects with which the Liberal party would now continue its long-established policies of national development.

National Advisory Board on Economic Development and Automation

To help in dealing with the long-term problems of production and employment, the Liberal party will establish an Advisory Board with representatives from labor, industry, agriculture and the universities.

One principal duty of the Board will be to study the long-term measures

required to assure a high level of employment and to minimize for workers the consequences of automation by providing for retraining programs, for better mobility and other progressive measures.

A second duty of the Board will be to plan programmes for long-term investment and development which will ensure the steady progress of the Canadian economy.

Research

We propose to establish a National Science Commission to coordinate, promote and sponsor scientific development and research in Canada. The purpose would be to ensure, through appropriate financial assistance and the effective use of our resources, an adequate programme of basic and applied scientific research through the National Research Council, the Defence Research Board and other government agencies, together with industry and the universities.

The North

We propose to undertake a vigorous and far-sighted programme of northern development as a basic feature of our policy for economic growth and expansion. The provision of rail transport is fundamental to this development. As a first step, we would undertake promptly the construction of a railroad to Great Slave Lake. This creative project, costing approximately \$60 millions, would open an immense area of our northland, rich in mineral and other resources, for practical development.

Highway Development

In order to help remove the economic disabilities of the Atlantic

provinces, the Liberal party will provide special assistance for the building of trunk highways in all four Atlantic provinces for heavy traffic to and from Central Canada and the United States. This means that the federal government will assume a much bigger share of the cost of completing the Trans-Canada highway in the Atlantic provinces and will help financially in the building of other key trunk highways.

The dynamic development in the west and northwest of Canada requires a fresh approach there to highway transportation. The Liberal party, therefore, undertakes that, after the completion of the present Trans-Canada highway, a new fast trunk road will be built from Winnipeg, through Saskatoon and Edmonton to the Peace River and Pacific Coast. This route will link these communities and the developing north and create a better foundation for their vigorous economic growth.

Municipal Loan Fund

A Liberal government would establish a Municipal Loan Fund in order to make available additional finance on a long-term basis for major municipal improvements.

Readier availability of funds would make possible an immediate start on municipal works now awaiting financing and thus quickly provide jobs throughout Canada. It would help greatly to bring about a rapid expansion of urgently needed municipal services which in many cases have been long delayed because of lack of funds.

The exact scope and administrative set-up of this Fund would be settled in consultation with representatives of the provinces and municipalities.

It would supplement, not replace, existing methods of financing for normal municipal purposes.

Urban Redevelopment

There is an urgent need to speed up the redevelopment of blighted areas in our cities. In order to promote this redevelopment we propose to amend the existing legislation to provide for a greater participation by the federal Government. In particular, we propose to increase federal participation in slum clearance schemes from 50 per cent to 75 per cent and to provide for federal sharing in the cost of water, sewer and street services in the area concerned. Also we would propose to ease the present restrictions on redevelopment for commercial and other purposes as well as housing, where that is advisable.

Equalization in Federal-Provincial Taxes

The Liberal party accepts, as a basic principle of the Canadian federation, that the opportunities open to people in any part of Canada cannot be allowed to lag behind those open to other Canadians. Accordingly, the Liberal party introduced and supports the principle of equalization expressed in the present tax arrangements between the provinces and the federal government. It believes that, in order to ensure a basic equality of provincial services between all parts of Canada, all provinces should receive an equal revenue per head of population from the tax fields shared between the two levels of government, so that all Canadian citizens will benefit equally. On this basis, the Liberal party will ensure that the provinces have access to the high and stable revenues required to fulfil their constitutional responsibilities, and so be able to discharge their responsibilities to their municipalities.

VII. THE PATH

The Liberal policy for peace, prosperity and progress is not a give-away programme. It is not a bid to buy the electors' support with their own money. It has, certainly, its appeal to every citizen, to every taxpayer, to every parent, to every young man and woman wanting to make a full contribution to a free, democratic society; a society that is fair and just to all its members, to Canadians of every race and creed, whatever their jobs, in whatever part of this great land they live. It has that appeal because it is a constructive programme.

The programme is a blueprint, not a bid; it is a firm path, not an empty promise. It is grounded in the Liberal principles of our party, but it is ~~not based~~ on pride in our record -- good though that record has generally been, in the estimation of Canadian voters. It is not put forward by an old government. It applies to our present Canadian needs the ideals of a party that is new as well as old, a party energized by our inspiring convention this January, a party of vision and progress, a party that in the first words of its convention resolutions declared: "The basic faith of Liberalism is a belief in the worth of man. The basic faith of Canadian Liberalism is faith in the Canadian citizen."

The Liberal programme is set out in detail. It does not make vague promises to cut taxes without saying how or why. It tells the elector what it means and what the costs are. It consists of definite commitments, which we could not possibly go back on if entrusted with office, because they are commitments deliberately and carefully chosen to meet the needs that now exist.

The proposed tax cuts will total about \$400 millions and mean a

Budget deficit. That is to say, the government would increase the national debt. There is nothing new about that. There is nothing unsound about it -- thanks to Liberal actions in the past. In prosperous years since the war, Liberal governments reduced Canada's national debt by almost \$2½ billions. Our opponents criticized this as "over-taxation". In fact, it was like piling up a bank account. It is a Liberal-created umbrella to help us through rainy days. It means that now we are financially sound to increase the debt again to meet the present emergency. It can be done without making the burden of the national debt heavier than the country has been able to carry in the past.

Tax cuts in these circumstances are established Liberal policy. In 1955, we faced a much milder recession than exists now. The number of people without jobs and seeking work in January 1955 was 363,000, compared with 520,000 in January, 1958. But the Liberal Government in its 1955 Budget cut taxes by just over \$200 millions, and incurred a Budget deficit. A quick recovery in employment and incomes followed. To meet the more serious under-employment that exists now, bigger tax cuts and a bigger deficit are equally sound.

In good times -- when almost all Canadians have jobs and almost every factory is fully used -- a government deficit is bad policy: its real cost is the pressure it puts on the Canadian people and on their money; it takes real income away from people by raising the prices of the things they buy.

But in bad times -- when many men are without jobs and factories are without all the orders they can fulfil -- this real cost doesn't exist. Tax cuts put into people's pockets money which they can spend without raising prices. The money cost of the deficit -- the extra national debt -- is outweighed by the increase

in our national production which follows when more spending in the shops leads to more jobs.

Tax cuts made in these circumstances are not temporary. There was no increase in taxes after 1955, although with good times we returned to a balanced Budget. The reason is that the return of prosperity increased the yield from the reduced tax rates. By keeping a proper restraint on government expenditures, it was thus possible to return to a Budget balance without raising taxes.

x x x x

The Liberal programme for 1958 is sound economics. It is based on Liberal principles. It is timely, the need for it is urgent, and it can be made effective quickly. It is the way to shake off our present state of slackened business, reduced confidence, unemployment and insecurity in incomes. It is the path to another period of increasing prosperity, of national development, of improving social security, of ever-greater development for individual Canadians in a free, fair, and progressive democracy.