

Income Tax Act

anybody in business is going to make any meaningful investment on the basis of a one-shot—for one year—reduction of 7 per cent in the amount of taxable income. Mind you, I suppose we will have to say that it is better than nothing. I am not going to oppose it. I cannot propose that the amount be increased and there is no way that we can redistribute it. But while objecting to the amount and to the time limitation, we will support the proposal.

Mr. Saltsman: Mr. Chairman, I would like to direct a question to the minister on clause 2. It concerns the rationale for a 7 per cent across-the-board tax reduction. On what basis was this decision made? What information did the government have at its disposal from which it could assume that by deferring public moneys of this kind there would be an effective stimulation of the economy?

Mr. Mahoney: Mr. Chairman, obviously it is a question of judgment balanced against the ways and means requirements of the government. In this particular instance it was felt by the government that in the corporate sector a tax reduction in the order of \$335 million over the 18-month period would have a meaningful impact on stimulating the economy, particularly bearing in mind that this was by no means either the first or the only measure proposed by the government to stimulate the economy. Also, bearing in mind the results that have been achieved, which seem each month to be proving out into an increasingly expanding economy, the measure seems to have been well founded.

However, to reply specifically, the figure could have been 8 per cent; it could have been 10 per cent; it could have been 5 per cent. The other figure could have been a year, six months, 18 months or two years. The balanced judgment was that this \$335 million reduction over an 18-month period would provide a meaningful stimulus and, as I say, events would appear to have borne that out.

Mr. Saltsman: Originally this measure was supposed to end on January 1 of this year. Therefore we have had some experience with it. I am sure the government has had some experience of how successful the measure has been, not in a general way but in a specific way. When sums as large as the amount we are discussing are being remitted to industry, I think there should be some assessment. I am sure the department has made some assessment whereby it can demonstrate that where millions of dollars are being given to industry in fact a stimulus has been provided. What evidence has the minister that could persuade the open-minded people on this side of the House that this is a good measure and should be continued?

Mr. Mahoney: Mr. Chairman, I would not attempt to isolate the beneficial effects of this particular measure from the beneficial effects of other measures that the government has undertaken in relation to the economy over the last several months, indeed for almost two years. However, the evidence of economic performance during the latter part of 1971 and carrying on into the first two months of 1972, for which figures are presently available, would indicate that the economy has recovered rather remarkably from what was a genuine slowdown during 1970. This would also indicate that our economic perform-

ance relative to other countries with whom we are prone to compare ourselves has been indeed favourable and that this measure, as part of a package of other economic measures, has indeed been effective.

Mr. Saltsman: Mr. Chairman, I do not know whether to thank the minister for that answer or to simply scratch my head and try to figure out what he said. However, I know that he is interested in providing as much information to the House as he possibly can. Since the government has spent large sums of money on various programs—we have put \$1 billion into regional aid, we have expended large sums of money on LIP, large sums of money on the Opportunities for Youth program, large sums of money on this program, and of course, on personal income tax cuts—I want to know from the minister, what method does the government have of assessing the benefit to the economy of specific programs funded by taxpayers' moneys?

Mr. Mahoney: As I indicated earlier, Mr. Chairman, I would not attempt to isolate the beneficial effects on the economy of any particular program. I simply assess them as a package. The 200,000 new jobs our economy created during the past calendar year, the relatively good price performance, the containment of inflation—in relative terms, better than our trading partners—and so on, are all evidence to me of a fairly well managed economy; and this particular measure, in so far as it was applicable during the latter half of 1971, must be regarded as one of the beneficial measures.

To attempt, on the basis of a few months' performance to pinpoint what this, that or the other measure might have done in isolation from the rest would be an impossible task. To say how many jobs were created as a result of leaving this kind of tax money at the disposal of the business community, as opposed to how many jobs were created as a result of the greatly expanded housing program that was undertaken through CMHC last year, would be an impossible task. Perhaps some historian might be able to parse it. I can only judge these things on the basis of an over-all package.

Mr. Saltsman: Is there any program in the minister's department that follows on these tax cuts? Are interviews conducted with people who are recipients of these tax cuts, and is any attempt made to determine the effectiveness of these measures? After all, we are talking about very large sums of money. It is not good enough to say that we are going to throw the money up in the air in the hope that it lands properly and has some effect. When any government spends as much money as this one has there is, of course, some value but also some waste. I think the important way of measuring a government's success or failure in the spending of money is to see how effective it has been.

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I ask the minister, through you, Mr. Chairman, whether there is a follow-up program to assess the effectiveness of these tax cuts.

Mr. Mahoney: Mr. Chairman, of course we try to assess the effectiveness of all government programs. I am not