

Proposed Committee on Unemployment

expanding industry and business to provide jobs for many of those people. Yet our tax rate today is hindering individual and corporate savings at a time when vast new amounts of capital are needed for development and replacement purposes. I think we would have been in trouble some time ago, had it not been for the influx of American capital. To the extent that high taxes prevent individuals and companies from expanding, in my opinion the creation of new jobs is jeopardized.

In the third place, I believe that high taxation today is discouraging initiative. I think it is blunting incentive. I have said that, I must admit, for a number of years in the house. But if an individual risks expansion today in Canada he must be a brave man, because there are so many storm warnings out. If he is successful in his expansion, then the Minister of Finance will take a good deal, if not the most substantial part, of his profits. If on the other hand a man expands his business and is not successful, his whole operation may be jeopardized.

Thus I think many businessmen today in Canada are taking this attitude: "Perhaps a recession is coming; perhaps it is time for us to consolidate; with the tax rate so high, it might be safer for us to buy bonds". I suggest that such an attitude adversely affects employment.

Finally I believe that the high tax rate in Canada today is helping to force Canadian prices up and up. We have a 10 per cent sales tax on most manufactured articles. We have a 15 per cent luxury tax on dozens of the necessities of life. We have customs duties and tariffs which are very high. Those taxes and others help to make Canadian prices among the highest in the world.

I understand that at the present time the automobile industry is having certain difficulties. I have seen figures put out by that industry, showing that on the cheapest automobile manufactured in Canada today there are federal taxes amounting to hundreds of dollars. Small wonder that so many working people are finding it difficult to buy cars.

Mr. Studer: It is \$100 in Saskatchewan alone.

Mr. Thatcher: But \$700 federally. The same is true of many other products. High taxes are contributing to high prices. High prices are contributing to decreased demand. And whether we like to admit it or not, decreased demand today is contributing to additional unemployment. Not only are high prices hurting us in the domestic market, but I suggest that they are playing havoc with our products on the export market. I would remind the house that indirectly and

[Mr. Thatcher.]

directly three out of every eight of our working people depend upon export trade for their livelihood.

On the world market, nations everywhere must compete. Canadians cannot set prices on that market. We have to meet them or we do not sell. In recent years we have seen Japan and Germany experiencing a trade revival, and we have seen similar trade recoveries in other countries. As a result Canadian products are meeting ever stiffening competition. In many cases we are actually being undersold.

As I see it, one of the reasons we are being undersold is the many federal taxes imposed on the manufacturer and producer. In 1953 Canadian exports were down \$363 million from 1952. Such industries as the automobile industry, the farm machinery industry and the textile industry have run into difficulty. One of the results of that difficulty has been a lay-off of employees.

For these reasons I believe that one of the first steps this government should logically take, if it is sincere in wanting to deal with the unemployment problem—and I think it is—would be to reduce the burden of taxation on the Canadian people in the coming budget. I think excise taxes, which are forcing prices up, should be reduced. I think the income tax, particularly for those in lower income groups, should be lowered in order to restore purchasing power. And I think the government should act more realistically with Canadian industry, so that business may continue to expand.

In my opinion high taxes are not inevitable; they can be lowered. But they can be lowered only if the government is prepared to cut expenditures. Perhaps the time has come for this parliament to give consideration to cutting sharply armament expenditures. Certainly the United States and Great Britain have already given us such an example.

Finally I should like to comment on an announcement made last evening at the Russian embassy to the effect that a special attaché is to be posted to Canada to try to promote Russian-Canadian trade. I think the Russian ambassador mentioned his country would be prepared to buy, among other things, textiles, meat, ships, butter, wheat and other commodities. If that offer is genuine, if there are no strings attached, and if no strategic materials are involved, then I for one hope the government will do something to try to take up his offer. Aside from the fact that such trade could serve to strengthen mutual understanding and friendly relations between our two countries, it could be one more step toward helping to solve our unemployment problem.