

The Budget—Mr. C. H. Thomas

not have been directed to better advantage in the creation of jobs. Let me refer briefly to my remarks in the previous budget debate. On January 19, 1971, as reported at page 2566 of *Hansard* I said:

We need substantial cuts in both corporate and personal income tax, to place more money in the hands of consumers and to reverse the pessimistic attitudes held by businessmen about the immediate future of the economy. Above all, the government must admit that it has been wrong in its political philosophy that everything must be brought under government control. We need an admission that it has been wrong in its theory which suggests that economic expansion can only be achieved where, when and how the minister and his bureaucrats decide . . . we want from the government recognition that private enterprise and not the government is the only lasting source of economic growth and jobs.

The key phrase there, Mr. Speaker, is "both corporate and personal tax cuts" for I question the effectiveness of one without the other. Corporate tax cuts in themselves, despite all the good intentions of those who receive them, do not necessarily imply that manufacturers will increase their production. I recall that the Carter commission said as follows in this connection:

Changes in corporate income taxes are likely to have a delayed impact on the investment spending of corporations.

It has been estimated that the average length of this lag is 15, or at least 12 months. This measure will not significantly affect investment decisions until well into 1973. It is difficult to be more precise about the length of this lag since it depends upon corporate expectations of future demand for their products. The Carter commission put it this way, and this is what has applied in our country in the last two or three years:

When corporations have excess capacity, it will be difficult to induce them to make additions to capacity by reducing the rate of corporate income tax, especially in the short run. The only sure way of inducing them to expand capacity is by increasing the demand for their output.

The only measure in this budget, Mr. Speaker, that will help to increase consumer demand immediately is the \$350 million going to the pensioners. Realizing this, it is obvious that the minister has not really changed direction; his is still the same old preoccupation with inflation as the villain of the economy. Despite his recognition that jobs are the first priority, there is little or nothing in his budget to create jobs now, when they are needed. Injecting \$350 million into the economy under a tax system that is geared through progressive rates to bring most of it back is hardly inflationary. But I will come back to this point later.

Let me turn briefly to those sections of the economy which this budget completely overlooks. There is nothing in these budget measures that will provide any direct assistance or incentive to many of the most labour-intensive and important sectors of the economy. For instance, there is nothing that will provide any relief to the service industries, the construction industry, to farming, fishing or logging. When I recite these various industries, the obvious fact strikes me that these are the types of industry which form the backbone of the disadvantaged areas of this country both east and west. These industries are the mainstay of our Atlantic economy. In the Atlantic area we depend largely on farming, fishing and lumbering for employment.

[Mr. Thomas (Moncton).]

One of the disturbing features of this budget is the fact that it completely overlooks these important industries. How important it is to stimulate employment in this area can be illustrated by referring to the March figures for unemployment in Canada.

• (2040)

The unadjusted figure for the Atlantic area was 12.1 per cent. For New Brunswick, 12.6 per cent of the work force was unemployed, representing 27,000 people; for Nova Scotia the figure was 9 per cent, or 23,000 people; for Newfoundland, 15.4 per cent, or 24,000 people; for P.E.I., 16.2 per cent, or 6,000 people. According to Statistics Canada, about 80,000 people in the area are unemployed.

Although the figures are serious, what is most significant about them is that they are becoming static. If one looks at the figures for the last 12 months, one will find there has been little variation in the level of unemployment. This indicates that unemployment in the area is chronic. I do not mean to condemn outright the policies of DREE, but although DREE has pumped a great deal of money into the area unemployment levels remain chronically high.

It seems to me that the relief offered in the budget to the corporate sector will have the greatest effect in those areas which least need it and, conversely, the least effect in those areas which need it most. Most of the large manufacturing and processing industries of this country are located in Ontario and Quebec. Once again, there is to be no help at all for primary industries, in other areas involving the farmer, the fisherman and the lumberman. Surely these areas of our economy have the right to expect some assistance.

We need more direct employment and investment stimulus in our economy. Corporate tax relief measures are a step in the right direction. These should be coupled with selective personal income tax cuts. We must create the demand which will encourage production. I was interested to read a survey undertaken by a Toronto *Star* writer on April 1. He was examining the question of unemployment and asked all manner of people in this country what steps they thought we should take to cure unemployment. According to the survey, labour in British Columbia said that there should be lower taxes for the poor. On the Prairies, labour said there should be higher corporate taxes. In Ontario, labour suggested that taxes should be reduced; in Quebec, that there must be a fairer tax structure; and in the Maritimes, that taxes should be reduced.

When the same question was put to management, it is interesting to note that the replies from all areas were unanimous: the proper course was to cut taxes. When the economists were asked—and economists agree on hardly anything—their answers, again, were unanimous. In every area of the five surveyed, the unanimous reply was, "Cut taxes." It seems to me there is a message here for the government.

Every time members on this side of the House suggest cuts in personal income tax they are labelled irresponsible. Government supporters invariably ask, "Where will the money come from?" One is always tempted to reply that if this government would trim some of the fat, waste and extravagance which is the hallmark of its administra-