

*Speech from the Throne*

thoughtlessly into this kind of manpower program the government would be much wiser to invest it in new enterprises that would create real and durable jobs in the Canadian economy.

• (1550)

Mr. Speaker, quite apart from other reasons for failure, the DREE and manpower programs simply cannot succeed in the present economic environment. Both programs were recommended to the federal government a few years ago by the Economic Council of Canada and both were seen to be viable—and this is important—only in conditions of an economy performing close to its full potential. I will return to that point in a moment. I want to say something about the winter works program.

In 1968, the Prime Minister dismissed and then cancelled the winter works program. It was, he said, wasteful of public funds and non-productive in terms of creating a significant number of jobs. That was Trudeau wisdom in 1968. However, he came back this winter with his own hastily drawn up, essentially stop-gap winter works program. Once again, men and women are only very temporarily taken off the unemployment statistics list for a few months. I ask the Prime Minister what will happen to these people when the first of June arrives?

I want to conclude my criticisms with some final, and I hope some positive, observations. We have come full circle. This government after it was elected in 1968 decided to fight inflation. It has done so ever since. After the first two years it began gradually to sense that something was going wrong and that thousands of people were being thrown out of work. The government then resorted to hasty, unplanned cash expenditures in its DREE, manpower and winter works programs, which work and can only work in an economy operating near its full potential. In other words, the very programs the government seeks to invoke and wants to apply to the Canadian economy require for their efficacy a fully employed efficient economy in the first place, but this government systematically set out to destroy such an economy with its anti-inflation policy.

It would be childish and intellectually dishonest to suggest that there is a simple solution to the problem of creating full employment in Canada. There are, however, certain approaches which, if begun now, would have positive effects before long. I might add that if they are not begun soon, Canada will continue to experience the ruinous high levels of unemployment we are now living through.

I wish to make five suggestions. First, the government must abandon its preoccupation with price stability and commit itself completely to full employment rather than being unnecessarily preoccupied with inflation. It must make clear to the people of Canada, first, that most of our inflation is inherited from the United States and of course there is very little we can do about it as every economist in this country knows. The government must say to the Canadian people that some inflation is not a bad thing. Second, it must set up an economic planning department which will assess the potential of the Canadian economy in relation to emerging world markets for certain products. Then, it must concentrate our energies in these directions. This is exactly what the Japanese did following

[Mr. Broadbent.]

World War II in the electronics and automotive industries, and we all know how successful they have been. Third, the government must make clear to our trading partners that we are not merely to be regarded as a source of raw materials. To the Japanese and Americans, we must make it conditional upon receiving a certain percentage of raw materials that they must also buy a certain growing percentage of our manufactured articles.

Fourth, a major change in corporate taxation policy is required to shift the incentives away from the export of raw materials to the development of the much more labour-intensive manufacturing sector. I would like to take a minute on that point. A Liberal government in 1955 began the ruinous policy of giving special tax concessions to the exploitation of non-renewable natural resources. They did this at a time when other countries were planning to develop their manufacturing sector. For short-run economic gains, the Liberals began the sell-out of our natural resources and simultaneously and inevitably discouraged the development of the manufacturing sector of the economy. They began in 1955 the tax policy which was continued by the Conservative government and still remains in the recent legislation of the present government. Tax write-offs and concessions in the resource sector have led, for example, to the oil and gas industry paying taxes on only 6 per cent of its profits. The mining industry, in its metal mining operations, pays taxes on only 13 per cent of its profits.

What are the consequences? The foreign manufacturing countries, in particular in the western world, like Canada's policy because it helps them in two important ways. First, it provides their investors and manufacturers with a very cheap source of raw materials. Second, the very fact of this foreign investment in our resource sector, now in the billions of dollars, drives up the value of the Canadian dollar. This, in turn, makes it very difficult for our still just emerging manufacturing industry to compete both at home and abroad with the manufacturing countries which do the investing in our resource sector in the first place. The truth is that the Liberal government's tax policy in this respect will continually undermine the efforts of even a hundred trade missions which it might send throughout the world trying to sell our manufactured goods. What is needed now is a change in tax policy, a change which removes the ruinous concessions to the resource sector and puts it in a tax position which at most must be no better than the labour-intensive manufacturing sector.

Fifth and finally, this government must begin to act to regain control of certain key sectors of the Canadian economy. As recently as today in the House of Commons the Prime Minister and the Minister of Industry, Trade and Commerce (Mr. Pepin) revealed their ad hoc, vacillating, non-policy on foreign ownership, and particularly on the question of the economic relationship between ourselves and our American neighbours. The Prime Minister could not tell us when his policy on foreign control would be forthcoming. On numerous occasions in recent days the leader of the New Democratic Party has asked without success for this policy. Similarly, the Minister of Industry, Trade and Commerce today refused to explain our policy on the multi-million dollar auto industry.