

Income Tax Act

Another point which I believe is worth repeating—I think the hon. member for York Simcoe (Mr. Stevens) referred to this—is that we are concerned about inflation in Canada and we see the mortgage rate going up and interest rates generally going up for consumers and small businessmen. This morning there was talk about the interest rate going up on farm loans and loans to fishermen. So why on earth, if we are concerned about the effects of inflation on the ordinary citizen, do we not reconsider this proposal to place half a billion dollars in the hands of the large corporations.

It seems to me that if overexpenditure and overheating of the economy are being caused by the ordinary citizen, the effect of putting half a million dollars into the hands of the corporations will also overheat the economy and increase our inflationary spiral. I suggest the huge corporations do not need additional revenue. They reinvest their retained earnings. They have \$2 billion of deferred taxes, which are really interest-free loans. They now have fast write-off benefits, again interest-free loans. I suggest we need go no further in providing tax benefits to the large corporations in Canada.

● (1540)

Another argument the Minister of Finance has made for the necessity of a corporate tax cut at this time for manufacturing and processing is that if corporate taxes are cut we will see greater investment by these corporations in the expansion of plant and facilities. I do not think that follows necessarily. I have here, for example, a report on private and public investment in Canada, "Outlook, 1973"—statistics compiled by Statistics Canada and the Department of Industry, Trade and Commerce.

I find that despite the increase in profits in 1971 and 1972, investment by manufacturing and processing corporations has actually gone down. For example, in 1970 capital expenditure by manufacturing and processing corporations was \$3.22 billion. In 1971, when their profits went up, they did not invest more in capital projects, but less; they invested \$2.99 billion. In 1972 there was a further increase in profits, and again the investment by manufacturing and processing industries went down, this time to \$2.95 billion.

So the profits have been going up for the last two years but investment by manufacturing and processing industries has been going down. The Minister of Finance uses the argument that if we give them further tax cuts these industries will invest more in plant and facilities and thus create more jobs. I cannot follow that argument at all. I do not think there is an economic factor on which to base the argument. In fact, the very opposite may happen.

There is one other point, namely, the fast write-off provisions that have been discussed in the House as part of the same package. Again I can use the same arguments. The additional benefits to the corporations do not necessarily bring benefits to the Canadian people in terms of the competitiveness of our industry and job creation. I do not think there is any evidence of that. Again, I think these provisions will be used by the corporations to obtain interest-free loans just like retained earnings and deferred taxes. I think there might be one distinct disadvantage in fast write-offs in terms of job creation in Canada, that is,

[Mr. Nystrom.]

that they might encourage some manufacturing and processing industries to modernize their equipment, with a resulting loss of jobs. They might prematurely decide that their equipment is obsolete and will spend all kinds of money to take advantage of the fast write-off provisions of the bill. What happens when they modernize and become more capital-intensive? They throw people out of work and they end up with fewer jobs than before modernization. I would like an independent study to be made to see whether there would be more, or fewer, jobs created as a result of the fast write-off provisions. I am afraid we will find that there will not be a net increase in jobs, and there will perhaps even be a decrease as a result of the fast write-off provisions.

The \$500 million that will be spent under this bill, as the hon. member for York South (Mr. Lewis) has said many times, could be used in many other, more beneficial ways toward developing this country economically and industrially. I will give three or four examples of how we can use half a billion dollars annually. Hon. members from the Prairies, as well as hon. members from northern Ontario, Quebec and the Maritimes, will agree with me that it would be much wiser to put that money into eliminating the anomalies in the freight rate system or into removing some of the inequities in the freight rate system. This would help development of the Prairies, Quebec, the north, and the Maritimes. It would create jobs in much of the so-called hinterland areas of our country, instead of accumulating everything in the golden horseshoe of southern Ontario to Montreal. It would be wiser, both in the long term and the short term, to spend the half billion dollars in getting rid of some of the anomalies in freight rates rather than handing it over to the corporations at the top and hoping that it may trickle down to the individual.

Another area wherein we could wisely spend that amount of money is increasing old age pensions by \$20 a month. If pensions were increased there would be more money in the hands of consumers, who would purchase more items, which in turn would create more jobs in processing and manufacturing. With \$300 million a year you could increase family allowances by \$10 a month; instead of increasing them to \$20 a month, family allowances could go up to \$30 a month for every child in Canada. Instead of cutting taxes by \$100, we could cut taxes by \$150 per person, on average, and in this way spend the \$500 million rather than giving it to the corporations.

In summary, we could spend the money that will be going into the hands of corporations in a much more efficient, humane and moral manner than by handing it out to huge companies that manufacture and process, 58 per cent of which are foreign-owned and controlled. Where does that money come from? If the corporations are going to pay \$500 million less in taxes, it means that the consumers will obviously pay \$500 million more in taxes. When you look at the end result you find it is not worth it, and I appeal to hon. members to persuade the government to withdraw the bill. If they will not withdraw it, let us defeat it no matter what the consequences may be. That is the position of our party. Our position has been clear from the outset. The position of the government has been clear, and so has that of the Social Credit party. I suggest that only the Conservative Party is playing games and causing