

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, I feel it would be wise if parliament were to consider what Benson and Turner budgets have actually done for Canada in past years. It is important for us to realize that on a national accounts basis, every deficit or surplus that has been predicted to date by Mr. Benson or by the Minister of Finance (Mr. Turner) has been overstated.

In the 1968-69 budget it was predicted that, on a national accounts basis, there would be a deficit, but that deficit was overstated by \$400 million. In 1969-70 it was predicted that there would be a surplus, but we found that the surplus was understated, depending on the type of accounting you use, by between \$5 million and \$80 million. In 1970-71 a surplus was predicted, but we found that it was overstated to the extent of \$490 million. Subsequently, in a second budget, the government predicted a deficit. As it turned out, this deficit was overstated to the extent of \$220 million. In the 1971-72 budgetary provisions another deficit was predicted. We subsequently found that the amount was overstated by \$250 million.

I am giving this background because I believe if one looks at the budgetary history of the present and the previous minister of finance you will see the sad spectacle of total ineptitude in their attempt to plan for Canada's economic needs. It should be borne in mind that not only has their budgetary planning been inept but it has resulted in an extremely heavy tax load for Canadians. I mean, of course, that if we look at the rise in personal income tax since 1963 and compare this with the projection for 1973, we will find that personal income tax has jumped from \$1,700 million to a predicted \$6,850 million this year. This compares with corporate income tax which has risen from the 1963 level of \$1,182 million to the current level of \$2,320 million.

Hon. members to my left often cite these figures as an indication that corporate income tax is not high enough, that there are undue write-offs or that somehow there have been concessions to corporations and these should be remedied. I suggest that undoubtedly in certain respects every tax system contains inequities which should be corrected. I believe the significant fact colleagues to my left are overlooking, and which the Minister of Finance has chosen to ignore, is that Canadian business profitability has gone down extremely sharply under the Trudeau government. That is why businesses are not paying the amount of corporate tax that one normally would expect them to be paying.

There is no mystery about this, I suggest. The Science Council of Canada, in an informative booklet entitled "Innovation in a Cold Climate" has effectively pointed out the complete lack of foresight shown by the Trudeau government. The government, in coming before this House and indicating that it should receive great credit for a suggested reduction from 49 per cent to 40 per cent in corporate tax with respect to manufacturing and processing industries, without making it clear to the House that it created the climate in which these industries have found it increasingly hard to make a profit, is presenting its case in a misleading way.

As was said by the speaker before me, there should be more reference to the fact that the present Minister of Finance, and his predecessor, in every budget speech paid

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great lip service to curing the problem of unemployment. The fact is that the area in which unemployment has risen at a faster rate and, conversely, in which employment has not kept up with predictions, is the manufacturing industry. As the Science Council said:

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Until recently, employment in manufacturing industry rose proportionately with the labour force. For most of the sixties, a constant 21 per cent of our labour force was employed in this sector. Most of our models for employment are based on the premise that this trend will continue, and that 20 per cent of the labour force will be employed in manufacturing in 1982.

By mid-1971, however, manufacturing accounted for only 19 per cent of the labour force. This departure from projections began in 1967—

That was the year before the Trudeau government took office. The situation is illustrated graphically in this booklet. The Science Council also pointed out:

By 1971, employment in manufacturing had fallen short of expectations by 120,000 jobs.

Those 120,000 jobs represented two-thirds of the total shortfall in employment projections which had been made. The Science Council also stated:

These profits are stated in current dollars, the value of which decreases about 6 per cent each year. In terms of buying power, manufacturing has had progressively less to reinvest over the last six years, and now has fewer disposable funds than at any time since 1958.

We have witnessed a government which through lack of proper industrial strategy has allowed our manufacturing industry to get into a position where it cannot expand in accordance with expectations because it does not have the wherewithal, the profitability, to do so. The report concludes:

The Science Council views with alarm the current deterioration of technology-based manufacturing industries in Canada. While we have avoided a recession in our over-all economy, something very much like a recession is now occurring in manufacturing. How temporary an effect this is we do not know; what is certain is that the condition will not improve automatically.

Hon. members will recall that in March, 1972, parliament passed a bill providing a 7 per cent reduction in corporate income tax to apply to the last half of 1971 and all of 1972. The bill giving effect to that proposal had first been announced the previous October. The 7 per cent reduction in tax applied to all corporations. For the year 1972 it meant that the general corporation tax would be at the rate of 46.5 per cent. That measure was passed, as I have stated, on March 22 and received royal assent a week later.

Forty days later, on May 8, the Minister of Finance presented his maiden budget to this House. That budget proposed a special reduced tax rate to apply to manufacturing and processing profits effective January 1, 1973. However—and I want to be sure that everyone in Canada understands this—the Minister of Finance neglected to mention in that budget speech that the general corporate tax rate was going to increase in 1973 over what it had been in 1972. I remind hon. members that in the same speech he also forgot to mention that personal income tax would increase on January 1, 1973.

In his May, 1972, budget the Minister of Finance put all the emphasis on the proposed special tax reduction for