

The Budget—Mr. Thompson

a result the whole business community and tax paying community becomes confused. It is impossible to plan ahead on such a basis.

Another criticism I have of the budget is that tax reductions for corporations are inappropriate at this time. Government speaker after government speaker talks about the priority of creating jobs. But nothing is done in this budget to create any new jobs; in fact, the opposite will be true. Even if we wait for another winter and another year, the situation will not be better; in fact, it will be worse than it is because we are not dealing with the core of the problem of unemployment. Frequent shifts in tax rates such as these are literally counterproductive.

A third point which I make in regard to my contention that a reduction in corporate tax rates is wrong at this time is that the government disregards the fact that our main deficiency today is consumer demand. Consumer demand depends upon purchasing power in the hands of the consumers. Until consumption catches up with investment in a significant range of industries, the tax reductions for corporations will bring forth little additional capital investment and very few new jobs.

In fact, one of the real problems today so far as attracting capital from outside is concerned does not even relate to the private sector. No mention has been made of that. It relates to the public sector, Mr. Speaker, because provincial government after provincial government has to go outside the country to find the necessary finances for development within its own jurisdiction. The federal government has done nothing to correct that situation.

It seems to me that the government's decision to cut taxes for corporations, many of them foreign owned, means that we are transferring dividends to the foreign owners. In fact, our whole industrial incentives program has done more to assist the takeover of Canadian companies and to strengthen the hold of foreign investment on Canadian companies than it has to help Canadian industry or Canadian companies. Combine that with the 3 per cent tax increase for individuals and it will be seen that we are not meeting the issue at all.

It seems to me that the Canadian government has become increasingly dependent upon personal income taxes as a source of revenue over the past two decades. I will illustrate this with a few statistics in a moment. This has had a curtailing effect on consumer demand and also on the supply of savings which is the ultimate source of investment and growth. The increase in direct taxes on individuals over the past 15 years has been almost twice as great as the increase in taxes on corporations during the same period.

This brings me to another point which the government overlooked completely. It relates to those who have jobs now but who do not pay taxes. I am speaking of the working poor. There are over five million of them in Canada today, people who have jobs earning all the way from \$60 to \$70, \$80 and even up to \$90 and \$100 a month, after deductions their take-home pay is considerably less than that. They don't earn enough to pay income tax. With the cost of living as it is today, how can they have any reasonable standard of living? They are locked in, working their 40 hours a week but not getting enough to provide a decent standard of living. Nothing is done to help

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these people or make it easier for them to face their problems. This is why I am very concerned about mismanagement of the system which causes such conditions to continue.

The government's attitude should have been directed toward employment and investment stimulus. Jobs are created by increasing demand, which means increasing production. You only increase investment stimulus by providing a stimulus. Why didn't the government come up with something like allowing a tax deduction of \$1,000 for every family in Canada which actually invests in the development of the country, using that exemption for risk capital development? Allowing families a deduction on this basis would give them a reason to invest in Canadian companies. Don't worry about the loss of this income as tax income: tax the profits that come as a result of it. That is the kind of stimulus we want to encourage investment by Canadians in Canadian business and industry. There should also be more effective assistance for the labour-intensive and export sectors most damaged by recent national and international events. This would truly stimulate production and jobs.

Nothing has been done for industries affected most adversely by the American DISC program. There should have been greater equity provisions for Canadian investment in Canadian corporations. I do not see this budget creating new jobs or even solving the problem of foreign ownership of Canadian industry. The budget entirely ignores those manufacturing and processing firms which suffered most because of the DISC program, from appreciation of the Canadian dollar and other recent trade impediments. Firms that are without profit or are making marginal profits will not be helped by corporate tax cuts or fast write-offs. If a firm has no profits, little capital and dubious markets, these measures provide no assistance and meagre incentive to expand or even to maintain employment. Recognition must be given to the fact that business can expand its activities only when it has confidence in the future, when the economy is stimulated by adequate consumer demand. Only then will job producing economic expansion be assured.

Similar criticisms may be made of the introduction of a new class of capital cost allowance entitling a taxpayer to claim as depreciation up to 50 per cent of the cost of an asset in the year it was purchased or acquired and the unclaimed balance in any year following. Even though this is to be used for machinery and equipment to be used for the purposes of manufacturing or processing, it is open to major criticism. The machinery that will be brought in may in fact replace present workers. The same machinery may have a high non-Canadian labour content, and unfortunately this is the case simply because of the high taxes placed on that kind of equipment. The machinery may even displace less skilled operators who are particularly susceptible to prolonged periods of unemployment. The form of the incentive does nothing to favour the disadvantaged regions with pockets of particularly high unemployment. The employment effects of tax incentives for business are slow to appear in comparison with the effects of a comparable personal or sales tax reduction.