

Income Tax

An hon. Member: What is the solution?

Mr. Broadbent: A Conservative member asks what is the solution? On behalf of my party I will make specific proposals. I do not suggest they will remove all the problems. However, they are a recognition on our part that the Canadian economy is in a major recession. It is in the worst position it has been since the thirties.

The Leader of the Opposition made a serious speech this afternoon. I give him credit for that, but I think his judgment is 100 per cent wrong. The only interpretation that could be made of that speech is that he put all the stress on the problem of inflation. However, that is not the crucial problem in the Canadian economy right now. The crucial problem, and it is one that will increase in the next few months, is unemployment. That is what I am going to deal with primarily in the proposals I will make on behalf of my party.

I want to say in advance that in 1975 both the Liberals and Conservatives are still primarily waiting for the private sector to bail them out of this serious situation. The same speeches were made in the 'thirties. And I say this with care—a little tinkering, playing it safe in terms of conventional economic wisdom and reliance upon the private sector would, it was thought, lead to an improvement in the economy. It did not happen then, and it will not happen now. The government must recognize that the only way we shall get out of the situation is by significantly expanding the government's role in the economy.

● (1600)

Mr. Reynolds: Ask Dave Barrett. He is doing a good job.

Mr. Broadbent: The hon. member refers to the premier of British Columbia. I ask him to check the record in terms of job creation since that government came to office. It compares favourably with that of the government of any province in Canada.

Two of the three provinces with the best employment record have NDP governments—I refer to Saskatchewan and Manitoba. And if the Liberal government here had not fouled up the housing program, the lumber industry would not be in such a depressed position in British Columbia; if the Minister of Finance had not brought in his taxation measures affecting the resource sector, then industry in the resource sector in B.C. would not be in its present state.

To get back to my theme, I should like first of all to propose on behalf of my party that instead of the tax cut across the board that the government has proposed, a measure which will benefit upper income groups out of all proportion to lower income groups, and instead of the amendment proposed by the Conservative party advising a 5 per cent tax cut, the government should introduce right away a \$400 tax credit. This would work in the following way—

Mr. Stevens: Copycat.

Mr. Broadbent: The hon. member says we are copying. Well, we were the first government in Canada at the provincial level to bring in a tax credit some years ago. We are proposing one now. Let me describe what the effect

would be. First, a family with two children and an income of \$3,000, paying no tax, would, under our proposal, get a cheque from the government for \$400. All income taxpayers would get the full \$400 benefit, either in the form of a tax cut or in the form of a cheque for the difference if their tax payment did not amount to \$400.

Under our proposal Canadian families with two children, earning up to \$10,000, would receive a benefit exceeding that proposed by the Conservatives. For example, a family earning \$6,000 would get \$400 under our proposal; under the Conservative proposal it would only be getting \$158. A family earning \$8,000 would get \$114 under the Conservative proposal as compared with \$400 under ours; a family earning \$10,000 would get \$64 under the Conservative plan and \$400 under ours.

Of course when you get to the upper end of the income tax scale you find across-the-board tax cuts, as proposed by both the Conservatives and the Liberals, would give substantial tax benefits to upper income people, benefits well in excess of the \$400 we advocate. On the basis of fairness on one hand and as a stimulant on the other, by getting the \$400 out to the people who need it most, and making sure they get a minimum of \$400, you deal both with the equity aspect of taxation and with the need to stimulate the economy. This is taken care of because people on low and average incomes spend a much higher percentage of their total income than do people in the upper income brackets.

The second proposal I should like to make to deal with the immediate unemployment situation is that the government should announce its intention to add millions of dollars to its public works program. It should offer to pay 100 per cent of all labour costs to municipalities as long as high unemployment continues. This would apply to needed municipal works—sewers, urban transit systems, public buildings and so on. One hundred per cent of the labour costs should be taken over by the federal government as an important means of stimulating activity in every town and city across the country. Most cities and towns already have projects on their books. They just need the financing. If the government were to move decisively in this direction a great deal of employment, as well as needed services, could be provided quickly.

The third proposal I wish to make on behalf of my party has to do with the automotive industry, but before I proceed further there are a few facts which I believe are worth putting on record.

About 25,000 people normally engaged in the automotive industry are unemployed at the present time. This compares with a figure of about 250,000 in the United States. We are not at the end of the road in terms of unemployment. The situation will get worse. The industry has stockpiled at least a 60-day supply of cars in both countries, and I envisage further massive lay-offs both here and in the United States. The situation will get worse before it gets better.

I want to stress the importance of the automotive industry to the whole economy. It is estimated that one out of six jobs in Canada is tied directly or indirectly to the automotive business. What happens in the automotive industry affects those who produce steel, plastics, textiles; it affects every service station in every town and village