

come later this spring. It was delivered by the greatest con artist that this country has ever had as Minister of Finance (Mr. Turner) because on January 1 this government raised taxes by 3 per cent to all personal income tax payers, but six weeks later the minister had the unmitigated gall to pretend that this 5 per cent tax reduction was anything more than a net 2 per cent reduction in income taxes. Just how gullible does this minister and this government think the people of Canada are, and just how phony can you be?

As the Leader of the Opposition (Mr. Stanfield), the hon. member for Edmonton West (Mr. Lambert) and the hon. member for Don Valley (Mr. Gillies) have pointed out very ably, this budget contains no stimulus to the economy and nothing which will reduce unemployment to a reasonable level of around 4 per cent. Also, it contains no plan to control inflation and nothing to keep the annual increase in the cost of living down to around 3 per cent a year.

Because of the lack of a practical and effective plan to deal with unemployment, inflation, or any of our other economic ills, the government will call an election in April, with a vote no later than 60 days from that date, which will be in June, with the intention of getting in the votes if possible before three important things take place. First, the government wants to have an election before it becomes obvious that the few prices which have been lowered as a result of the removal of excise taxes have again gone up and have reached levels above those that prevailed before the taxes were removed. Second, they want the election to come before those who have been taken off the tax rolls find out that inflation has once again put them back on the tax rolls. Third, they want the election to come before the people of Canada realize that unemployment and inflation have not been reduced by this budget and that it, like the five budgets which have preceded it, has simply failed to deal with the economic problems facing this country and has fallen flat on its face. This budget was presented with the sole aim of trying to maintain this government in power, and the people of Canada will come to realize this more and more in the weeks ahead.

Now, Mr. Speaker, I should like to deal briefly with a matter about which the government has said very little in the presentation of this budget for fear of offending its new-found bedfellows, the New Democratic Party. I speak, of course, of the government's proposal to reduce corporate income taxes from 49 per cent to 40 per cent for manufacturers and processors as a means of stimulating employment in those two sectors of the economy and thereby reducing unemployment. When the minister first introduced his plan on May 8, he confidently predicted that manufacturers and processors would start expanding their operations as a result of the windfall that they would receive on January 1. The result of this would be to reduce unemployment. When the minister announced his plan, unemployment in Canada stood at 5.2 per cent of the work force, seasonally adjusted. Today, it is 6.2 per cent, seasonally adjusted. The natural question is: what went wrong?

The first mistake the minister made was that he did not seem to realize that our manufacturers and processors had three options open to them for spending the windfall

The Budget—Mr. Hees

they would start receiving on January 1, 1973. They could either expand their operation in anticipation of the cash windfall they would start receiving on January 1, or they could decide to put the extra money into the company's reserve fund, or they could plan to pay out the money in additional dividends. Judging by the results that have accrued from the minister's policy, the great majority of our manufacturers and processors must have decided on one or the other of the two latter alternatives.

The second mistake which the minister made was that he did not seem to realize that although taxes would be lowered on January 1 for manufacturers and processors, who together make up 34.2 per cent of the Canadian economy, they would also be substantially raised on the same day for the other two thirds of the economy because of an item in the budget of 1971. The minister did not seem to realize that lowering taxes for one third of the economy and substantially raising taxes for the other two thirds does not add up to a stimulus for the economy as a whole and, regrettably, today's very high unemployment figures show just how true that is.

Now, as though this was not a sufficient deterrent to reducing unemployment, the minister did not seem to realize that the money which would be invested in plant expansion by manufacturers and processors today means investment in labour saving machinery to lower costs and make management less dependent on their labour force. So our manufacturers and processors who started investing in plant expansion in anticipation of the windfall which they would start receiving on January 1, 1973, have been making these investments to reduce their labour force rather than to expand it.

It is fair to ask: what measure to increase employment should the minister have introduced last May 8 and what should he be introducing in his present budget? If a government wants businessmen to do something which it believes is necessary for the good of the country, it must not simply hand over to businesses a gift in the form of a tax reduction and hope that they will make use of it in the way in which the government desires. This simply does not work, and I speak with 20 years of experience as a manufacturer and six years of experience as a member of the government dealing with businessmen.

What the government must do for the good of the country is to tell businessmen what it wants to accomplish and that it will reward their efforts to bring about this aim in proportion to the effort which they make. In the present case, the government should have said to all business, not just the manufacturers and processors, that it will reward over-all increases in employment during the year in direct proportion to the increases in employment that are made by individual companies, and that it will do so in the form of a tax rebate at the end of the year. This is simply a matter of comparing the total number of man years of employment by a company in the tax year under consideration with the man years of employment by that company in the previous year. The tax rebate would be in proportion to the increase in employment, and the company would be able to calculate a year in advance what cash rebate it would receive for various improvements in employment.