

Taxes on business were cut and transfers to business were increased beginning in the mid-1970s. The combination of these two measures over the years reduced the contribution of businesses to government budgets from 1.6 per cent of gross domestic product to less than zero — less than zero. In today's dollars, the net contribution of business to government budgets was \$11.6 billion in 1975 and was minus \$1 billion in 1992. Those figures are in today's dollars.

It is interesting to look at growth of business investment in plant and equipment and compare that with growth of gross domestic product in constant dollars, that is, taking inflation out of the equation. From 1947 to 1975, before the contributions of business to government budgets were reduced as I described them, business investment in plant and equipment grew at an average annual rate of 5.3 per cent, after adjustment for inflation, and the gross domestic product for the same period, 1947 to 1975, grew at an annual average rate of 5 per cent.

From 1975 to 1992, while net business contributions to government budgets fell, as we have seen, business investment continued growing at an average annual rate of 5.3 per cent, a rate that is no faster than before business contributions to government budgets were drastically reduced.

Yet, during the same period from 1975 to 1992, the gross domestic product grew at an average annual rate of only 2.8 per cent after inflation. The extra stimulation of the supply side by reducing net contributions of business to government budgets did not stop the decline in the growth rate of the gross domestic product.

It is important to emphasize this point, because business invested at the same rate, even though its contributions to government budgets had gone down spectacularly, as we saw, from 1.6 per cent of GDP in 1975 to minus 0.2 per cent in 1992. However, the supply-side help to business, which started under the Liberals and was continued by the Tories, did not produce the increase in gross domestic product for which it was designed. It seems legitimate to ask why business did not increase its rate of investment in plant and equipment. Was this because the rate of unemployment was increasing and, therefore, and inevitably, the rate of growth of consumption was slowing down? It would be foolish for a business person to start investing at a faster rate when consumption is not increasing at a faster rate.

• (1440)

When the GDP grows more and more slowly or, at times, decreases, the economy does not produce enough jobs for all those who want to work. There are other factors, such as what amounts to payroll taxes, or taxes on employment.

I did a calculation as to how many hours we should reduce the work week in order to absorb the 1.5 million people on the unemployment rolls. Theoretically — I emphasize the word, "theoretically" — if we reduced the work week from an average of 38 hours to 33.7 hours, with no overtime allowed and with no increase in hourly wages, there would be jobs for all of the 1.5 million unemployed — theoretically. The federal government would see a reduction of its deficit by nearly \$23 billion; the provincial governments would see a reduction of their combined

deficits by \$1.2 billion; the newly employed would consume an additional \$8.25 billion. But here is the catch: The extra costs to business for employing 1.5 million more people would wipe out any profit from these extra sales because of payroll taxes, such as contributions to unemployment insurance premiums, to workmen's compensation, et cetera. Therefore, even if we legislated a reduction of the work week —

The Hon. the Speaker: Honourable senators, I apologize for interrupting the honourable senator, but his time has run out. However, with leave, he may be allowed to continue.

Is leave granted?

Hon. Senators: Agreed.

Senator Gigantès: Therefore, even if we legislated a reduction of the work week from 38 hours to 33.7 hours with no increase in hourly wages — which means no increase in total wages paid by business — business would have no incentive to hire more people. Nor would they; why should they?

[Translation]

Consequently, one of the important measures proposed by this government is a review of the tax system with several goals in mind. Its purpose will not be to penalize employment; it will be to reduce the paper burden of tax measures like the GST for small business; to improve access to investment and research for small business; to improve training of employees and owners of small businesses; to provide special assistance to help these businesses find new markets abroad, and so forth. We all know that small businesses generate the most jobs. This government intends to help these businesses improve their contribution to the economy of this country.

[English]

It is in this context that the government would like to explore ways of converting unemployment insurance into employment insurance; in other words, stop paying people while they do not work, and pay them instead to work, to regain the dignity of work while they contribute not only to their own welfare and to that of their families but also to the growth of the economy. That is the primary emphasis of this government. That is something that will be undertaken with speed but also with great care and flexibility.

The government will be careful. It will constantly and openly monitor its programs, and be quick to abandon those that seem less productive and put more emphasis on other programs that are proving more productive. And, of course, this will be done in non-doctrinal collaboration with the provinces, without petty jurisdictional quarrels that the people do not want.

This government is dedicated to the proposition that the country needs to look at itself anew and determine, in agreement with labour, the private sector, and other levels of government, which level of government can best provide a certain necessary public service at the lowest cost. It should be that level of government that has the fiscal resources to finance the necessary service it provides. It is not a matter of constitutional jurisdiction. It is a matter of common sense.