

*Income Tax Act*

advanced by many economists and others in the country, namely, that the service and manufacturing sectors employ many more people per investment dollar than does the resource sector. Therefore, if we are to use tax policy as a means of generating employment one could at least see some plausible connection between a tax reduction at this time and the creation of employment.

It is precisely because clause 2 of the government's measure does not in any way show a plausible connection between the tax reduction and job creation that we cannot support it. This motion is therefore intended to send the bill back to committee at which time we would attempt to make the kind of amendment I have just outlined. It would be designed to reflect a serious attempt to institute a tax policy under which we could reduce taxes for industries in which jobs would result from such tax cuts, and we would not reduce taxes for the entire corporate sector at the expense of the people of this country merely to create a kind of welfare state for the corporate sector only.

• (2120)

**Mr. Arnold Peters (Timiskaming):** Mr. Speaker, the Minister of State (Mr. Mahoney) who is piloting this bill through the House surprises me. Having listened to him and to his argument, I conclude that he expects us to believe that the bill before us will keep the economy afloat. He implies that bills such as this have kept the economy on a paying basis for a number of years, that they have kept the economy growing and that, therefore, we are dealing with a major piece of legislation to end unemployment. At the same time, it has not been given the billing that the winter works program, the Opportunities for Youth program or other programs have been given.

If the minister is right in his assertion that the reduction in tax will bring about all the benefits he suggests it will, then I am surprised that this bill has not been built up more by the Liberal party. Surely it could become one of their main election planks. Here is a measure which will permit industry to expand and unemployment to decrease, and it will cost only several million dollars.

There are differences of opinion as to what the 7 per cent corporate tax reduction will cost the treasury. The former minister of finance, now Minister of National Defence (Mr. Benson) said as reported on page 8691 of *Hansard* for October 4, 1971:

The expenditure programs I have described are designed and will be administered in such a way as to have the earliest possible impact. The corporate tax cut is expected to result in a reduction of federal revenues of \$160 million in fiscal year 1971-72, and a reduction of \$175 million in fiscal year 1972-73. The cut in personal taxes is expected to reduce federal revenues by \$125 million in fiscal year 1971-72 and by \$225 million in fiscal year 1972-73.

He indicated that these cuts would cost the treasury of Canada approximately \$1,000 million. That kind of expenditure should be given much more prominent billing. If the government thinks this piece of legislation will accomplish what it is supposed to accomplish, one would expect the government to give it much more prominent billing.

I know that many industries in this country are asking for tax reductions. I come from a resource area. If you reduce taxes for resource industries, you will find that not

[Mr. Broadbent.]

one extra job will be created and not one extra pound of metal will be taken out of the ground. Inco, one of the largest mining companies in the world and certainly one of the largest in Canada, has been given its share of reduction in taxes over the past six months. During the past six months there have been massive lay-offs in that company. Many lay-offs are contemplated for the forthcoming year. Clearly, tax cuts have done nothing in that resource area. The same is true of the copper industry; there have been lay-offs there, too. Tax cuts have not produced extra employment in that industry.

**Some hon. Members:** Hear, hear!

**Mr. Peters:** Silver is a valuable commodity mined in my area. Silver mines are entitled to their share of corporate tax cuts. That industry has almost totally closed down. The fault lies largely with price of silver. Clearly, a 7 per cent tax cut in that area will not produce jobs. The same is true of the forest products industry, another large resource industry. For six months we have been dangling this carrot in front of that industry. Yet it is safe to say that there have been few periods in Canada's history when there have been more bankruptcies in that basic industry than in the past six months, particularly in northern Ontario and northern Quebec where we need many jobs.

The minister suggested that tax cuts have been used as a carrot, so to speak, to bring about employment in resource industries and induce expansion generally in the industrial sector. If this method works, if tax cuts will bring about increased production of certain commodities, I would agree with him. He suggested that if you reduce the cost of producing a certain commodity, more of that commodity will be produced. I agree with him. Nevertheless, Mr. Speaker, the government's policy does not work. It has not worked in the industries I have mentioned. It has not worked in iron, and I will bet it has not worked in oil although I am not sure about the oil industry. I have heard members representing oil industry constituencies crying of the need for larger contracts with the United States. That shows that sales perhaps are not as great as anticipated. The carrot technique is not helping these industries.

Other factors have influenced considerably our failure to make sales. The hon. member for Waterloo (Mr. Saltzman) referred to some factors. Since we have not sold as much as we expected to sell, I suggest that the government has put the cart before the horse. For instance, in the last 18 months over half a million people in Canada have not had enough money to buy anything except the bare necessities of life. They have been getting unemployment insurance, welfare and subsistence allowances. People like that are not in the market to buy. Therefore, the subsidies which the government is making available in the form of corporate tax cuts will not produce the results that are hoped for.

Anyone looking at the rest of the world will find that Canada's position is unenviable. Too much of our gross national product is derived from raw resource materials. These must be sold on international markets and we are finding it increasingly difficult to sell our raw materials at competitive prices on world markets. One must include