

*The Address—Mr. Hees*

During that debate we voiced some scepticism. We pointed out some of the things we thought were wrong and some of the things that would not come true, and we pointed out why they would not come true. We were laughed and scoffed at by this new champion of the Department of Finance, this new wave, this new brain, this new man and leader who was just about ready to take over. For eight long months we have had to endure the downgrading of the economy which has taken place since that budget was produced.

The government's plan was to reduce taxes on manufacturing and processing which together make up 34.2 per cent of the economy. The government neglected one very important fact in presenting that budget, and that was that also on January 1, 1973, on exactly the same day this tax reduction for manufacturing and processing would come into effect, all other businesses in this country and the whole economy would have corporate income taxes substantially increased as a result of a previous budget of October 20, 1971. Therefore, we can see that the government's plan for stimulating the economy was simply a promise to lower taxes for one-third of the economy, on exactly the same day taxes increased for the other two-thirds of the economy. Any child taking public school mathematics could tell you that this type of arithmetic does not add up to a stimulus for the economy as a whole.

The government is run by a lot of impractical theorists who have had little or no business experience, who know little of what is needed to stimulate the economy and get it moving. They do not understand business problems. These impractical theorists thought this kind of arithmetic would stimulate the economy as a whole. Surely, this kind of cloudy-minded thinking cannot be allowed to continue any longer with its misdirection of the economy of this country. This country simply cannot afford this kind of thing.

As though that was not enough of a deterrent to a business expansion in this country which would lift us up out of the decline we have been in for so long, the businessmen of this country knew very well that on the same day taxes would be lowered for one-third of the business community, taxes would be raised for the other two-thirds and that all of the people of Canada would have their personal income taxes increased by 3 per cent. All the businessmen of Canada, in whom the minister was so confidently relying to create this great upsurge in business by going out and buying machinery and expanding their operations, knew perfectly well that taxes would be raised for two-thirds of them.

All these men knew that the buying public in Canada would have their purchasing power diminished substantially on January 1 as a result of this 3 per cent increase in income tax. They knew this would substantially reduce the purchasing power available to Canadians with a resultant substantial slow down in business. Yet the Prime Minister said during the election that he was puzzled by the reason for unemployment remaining so high. If this Prime Minister had any business experience whatever he would know that the reason unemployment remained high was that there was no continuing, effective stimulus to the economy. This Prime Minister does not seem to realize that in order for industry to absorb our

steadily growing work force the economy must increase as a result of a substantial and continuing stimulus which would keep the economy expanding at the necessary pace to absorb that steady growth in the work force year by year.

What kind of a stimulus will do the necessary job? It is very obvious to anybody who understands business that to employ more you must first produce more, and you must sell more both in Canada and in the export market. Let us take a look at what is needed to sell more in Canada. The quickest and most effective way is to put more money in the hands of the Canadian buying public by means of a substantial cut in personal income taxes. That is what the Leader of the Opposition (Mr. Stanfield) told the people of Canada during the general election a Conservative government would do. This Liberal government laughed at that. This government has not done that and that is one of the main reasons unemployment is at 6.8 per cent of the working force today. If we made a substantial cut in income taxes, as the Leader of the Opposition assured the Canadian people a Conservative government would do, this would enable the Canadian buying public to go out and buy the things they needed for some time but could not afford.

By putting people to work producing the additional volume of goods required to fill this additional demand this tax cut would pay for itself. First of all, it would reduce unemployment insurance payments which are mainly paid today by the federal government. The additional people at work would be paying income tax and the additional commodities being sold would generate additional commodity tax. The greater volume of goods would result in a lower unit cost of production and make available greater business profit subject to taxation.

Let us look at what could be done to increase sales in the export market. To increase exports we must do two things. First of all, we must slow down the rapid increase in costs of Canadian production and make it more competitive. During the 12 months—these are the latest figures available to us—between November 1971 and November 1972 wholesale prices in Canada rose by no less than 9.8 per cent. This is the largest rise in wholesale prices in the country during the past 25 years. It has, therefore, become painfully obvious that many Canadian products are simply pricing themselves out of the market. It will be difficult to hold the present volume of sales let alone increase that volume if these price increases continue at the present rate. In a few moments I intend to outline what I believe must be done to control the rapid rise in prices so that we can both increase exports, which produce jobs for Canadians, and slow down imports which take away jobs from Canadian workers.

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The second thing which must be done to increase exports is to initiate a massive trade drive to include, first, a greatly expanded number of trade missions to the markets of the world where our trade commissioners indicate increased sales can be made if the proper selling effort is put behind them; second, a doubling of the number of trade fairs participated in by Canadian producers in the markets of the world; third, a greatly expanded program of export credits and export insurance, and, fourth, "fly