

Income Tax

some of the firms, which will receive great benefits from the new tax measures, are now actually decreasing jobs in spite of these extremely large tax cuts announced in the budget of last March. Some prominent examples have already been noted.

The Aluminum Company of Canada will receive approximately \$11 million because of these tax cuts. One might say, "Well, so what? Won't that mean they will be able to increase jobs or at least hold the jobs they have?" The fact is that the Aluminum Company of Canada is laying off 400 workers in Newfoundland, which has the highest unemployment rate of any province in this country.

Another large multinational firm, which we all refer to as INCO, will receive a tax break of \$10 million under the terms of Bill C-11; but we all know that between Sudbury, Port Colborne and Thompson, INCO is in the process of laying off some 4,000 workers.

Northern Telecom, another large company, will receive approximately \$3 million under this bill, and they are not creating jobs with this but are laying off 1,000 workers. Noranda Mines will receive approximately \$5 million and plans to lay off at least 500 workers, and it may yet go up to 1,000 or more.

In March, and again in the mini-budget presented by the new Minister of Finance (Mr. Chrétien), the government has failed to get the economy revitalized because it is not providing enough of a stimulant to consumer demand for non-durable goods, durable goods, and for many services that are needed by the ordinary Canadian family. By putting the emphasis on these large tax deductions for corporations, it is obvious from the examples given above that they are not reducing the present high degree of under-utilized human beings, as shown by our official and unofficial unemployment figures.

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The large corporations are not responding to corporation tax cuts by creating new jobs, as is apparent in the increasing number of lay-offs that are occurring in the manufacturing sector of our economy which is operating at about 80 per cent capacity. Their profit levels which, from some points of view, are healthy, are well below those that have historically occurred in the recovery stage of the traditional Canadian business cycle. Therefore the conclusion of the NDP is that the investment stimuli given in this budget are obviously not going to do too much to improve our national economy. What was needed, and is needed, are even more substantial tax cuts for the lower and middle income families in this country to give a push to the investment sector to help revitalize the economy and get the spending income stream moving at levels which will bring back confidence in the management of the Canadian economy both inside the country and abroad.

The government has insisted, both implicitly and explicitly, that such tax cuts to consumers could result in even higher levels of inflation. They would have to be very large tax cuts indeed, given the under-utilized capacity of our manufacturing sector at present, before demand, that is, over-all aggregate demand, would outstrip the capacity to supply these goods and

[Mr. Hogan.]

services and hence increase the general level of prices, causing what we call the inflationary spiral, higher than what will occur, of course, as a result of the increasing cost of fuel and of other imports, because we have become a net importer of oil, as well as because of the lower value of our dollar.

However, I would argue as an economist that in the long run our exchange rate, accompanied by the type of consumer stimulation that I have mentioned earlier, would be advantageous to our export trade, which in turn would give a greater lift to the business sector of our economy than the action which the government is now proposing, which is an inefficient way of allocating our scarce resources. In other words, the government is stressing too much direct stimulation of the private sector by way of corporate taxes which amount to over \$1 billion, and yet corporations continually show they lack the confidence necessary to create jobs in this country. In fact we note that some of them are doing the very opposite to creating jobs. The money which they receive from the government to improve their cash flow is used, in the case of multinationals, to help subsidiaries in other countries, and to concentrate the corporate sector further through the buying up of securities in other corporations. It does not go toward creating jobs in this country. All this occurs while we as a nation have a \$10 billion deficit in manufactured products and an almost \$3 billion deficit in debt services, that is, in interest payments abroad.

Now I wish to speak briefly about how the government, through public expenditures, can improve the economy in the Atlantic region and elsewhere across the country. It is obvious that in the first place we should invest in energy and conservation. One reason why the attempts of the government in this direction have not been too successful is that they have not followed through with a national energy policy which would make sense to any of us. I have put questions in the House to the Minister of Energy, Mines and Resources (Mr. Gillespie), concerning this matter and he has spoken on this subject in Toronto in September, and again in Paris at the International Energy Agency meeting, having listened to such experts as the head of the Venezuelan Oil Export Corporation. He said that all the studies that have been carried out until now show that a complete breakdown of the OPEC cartel will mean that Canada will have a deficit in oil imports of at least \$2 billion by 1985. He woke up very late to the fact that we will have great difficulties in that respect.

My province of Nova Scotia is the second province after Prince Edward Island most dependent on oil, and yet the government which has set up the Cape Breton Development Corporation knows that by 1985, or shortly thereafter, Nova Scotia will have to import oil from somewhere at a very high price, as the Venezuelan minister said two weeks ago when he spoke at the Gas Association meeting in Toronto. In 1985 we will have to pay \$20 in 1977 prices for a barrel of oil. Of course, no one can be 100 per cent right on this, but this is not information that comes solely from the Minister of Energy, Mines and Resources. It is also information which comes from MIT studies which were not done at government instigation but, one suspects, by the CIA in the United States and by