

*Income Tax Act*

times for obvious reasons. Premier Moores of Newfoundland complained that this measure helped Ontario and western Canada more than any other part of the country. At least that can be refuted to some extent.

The province of Alberta did not benefit directly because it has no retail sales tax. I should point out that Alberta received the benefit of a great deal of supportive measures in the budget for its petroleum industry. The Canadian Chamber of Commerce indicated that its executive director, Mr. Sam Hughes, was grinning like a Cheshire cat. Obviously he was pleased. Mr. John Bulloch, a small business leader, seemed pleased with the measure. In general, business leaders from the financial community were relieved that big government spending was avoided. They felt that the budget was unusually good in avoiding inflationary pressures.

Big business and retailers in the province of Ontario seem to favour the budget in moderate tones, and were pleased with the incentives for consumer spending. Ontario Treasurer Darcy McKeough said that he thought the retail sales cuts would help accelerate the province's slow rate of growth. According to recent reports, Ontario has had one of the slowest growth rates, if not the slowest, whereas it used to have the fastest. Mr. McKeough indicated that production and employment can expand through consumer purchasing. Mr. McKeough and other sources, such as the Science Council of Canada, were pleased with the incentives in the budget for research and development. Those incentives will stimulate the economy in the long term.

Financial leaders who have been critical of the economic policies of Canada in the past also spoke positively of the budget, for example, Mr. Douglas Peters, the Vice-President and Chief Economist of the Toronto-Dominion Bank, and Mr. William Mackness of Pitfield Mackay Ross, investment dealers.

The Canadian auto industry is based mainly in Ontario. For example, Ford of Canada in Oakville said it expected the 3 per cent tax cut would rev up its business to near record sales, especially since it came in time for its peak selling period in April, May and June. By the way, Ontario is the main consumer as well as the main producer of automobiles. That is why this measure is very important to that province. Recently Mr. David Lamb of American Motors was quoted as saying the following, "The sales tax cut will make 1978 one of the best years in memory".

I should like to refer to what happened on the Quebec scene. There was some deception in the action surrounding the Quebec government at the time of the budget. At one point Quebec seemed to be working in conjunction with the other provinces. It attended the pre-budget consultations, offered no alternatives, and gave no indication of its reaction. At the last minute Quebec announced it would give a decision in 48 hours, that is, after the budget was announced. Then that province stated it would not cooperate. All the other provinces had agreed to the tax cuts. Some of these provinces even offered other ideas, which Quebec should have attempted.

[Mr. Philbrook.]

The Parti Québécois announced that it wanted complete tax relief on selective items produced mainly in Quebec. It was a plan favouring that province to the detriment of other parts of Canada. As we have experienced in the past, it was another true separatist challenge, and a deliberate trap for the government and the people of Canada.

In the area of deception, the Parti Québécois did not point out to its own people that its plan to favour Quebec had the same basic weakness for Quebec as the general tax plan had for the rest of Canada. I am referring to the area of competition by imports. At this time imports are usually lower in price and acceptable in quality. The Quebec plan set up protectionism against products from other parts of Canada but not from other countries. Even its own plan cannot benefit Quebec manufacturing greatly because the tax cuts apply to imports as well. Only a voluntary "buy Quebec-made" or "buy Canada-made" policy could accomplish this.

An important initiative which came out of the federal-provincial conference in February was the idea of encouraging our consumers to buy Canadian-made goods, even where protectionism did not exist. Like most other countries these days, Canada is caught between a need to stimulate its own economy by exporting more and importing less, on the one hand, and avoiding a vicious international trade war on the other hand. On the basis of past experience that could lead to world-wide depression and a third world war. This is identified by the current difficult GATT negotiations in Geneva. These negotiations are badly behind schedule and do not favour Canada. Canada is said to have got off lightly at the last Kennedy Round in Tokyo.

Also Canada suffers the disadvantage of not belonging to a trading bloc like other countries. We certainly do not dominate a region of the world, unless we finally yield to the wishes of the United States of America to form closer trade links—a continentalist policy—with the threat of being assimilated by our giant neighbour to the south—trading our culture for security. This trade advantage can be achieved only by Canadians on a voluntary, discriminatory basis putting economic nationalism into practice, rather than becoming involved in a trade war. The federal-provincial conference promoted this idea. Recently the Canadian government announced such a plan.

What happened in Quebec is very important as a basic learning experience for this country. One of the best analyses with regard to Quebec came from Mr. Jeffrey Simpson as reported in the *Toronto Globe and Mail* on May 15. The article reads as follows:

It is Ottawa that has been taking a relentless political kicking in Quebec and elsewhere. Only Ontario, which thought up the idea of a sales tax cut last October, and the Atlantic provinces, which are fully reimbursed by Ottawa, are content.

In many ways, the sales tax reductions were a highly imaginative solution to the economy's need for stimulus. The irony is that the provinces were unanimous in their belief that a sales tax cut was the most effective economic tool available.

For the first time, Ottawa took the provinces into its confidence in budget preparations. An exhaustive series of meetings and conversations were held between federal and provincial officials from March 23 to budget day April 10.