

*Effect of Budgetary Proposals*

trading nations. The Secretary of State for External Affairs (Mr. Sharp) may have had the responsibility at the time, but I do know that tariffs were reduced in some 30 or 35 areas concerning imports to Canada in return for a reduction in tariffs of other countries. The end result of the reduction of those tariffs was to make certain industries in this country more vulnerable than they had been. I speak now of the shoe industry, the textile industry, the pulp and paper industry, the chemical industry, the furniture industry and others that hid behind high tariffs and thus prolonged inefficiency, putting off the day when some of the profits could be devoted to new machinery and more sophisticated methods. They had the hope, perhaps, that high tariffs would provide a rich market and profits to satisfy shareholders.

With the reduction of tariffs after the Kennedy Round, which was a government decision, not a decision of industry, these industries became very vulnerable. Some of them were prepared to adjust rapidly, but unfortunately others were not. Because it was government action that made these industries so vulnerable it was logical that the Department of Industry, Trade and Commerce should develop programs to stimulate the industries affected by that government decision. Hence the fact there are so many programs within the Department of Industry, Trade and Commerce placed at the disposal of business both large and small in an effort to offset their vulnerability caused by lower tariffs, and to help them take advantage of the potential exports to countries whose tariffs, in return, had been reduced.

So from this particular vantage point I do not think this or any other government has any reason to apologize for providing, through the Department of Industry, Trade and Commerce or any other department, any type of assistance it felt necessary to extend to small or large industries. I think this is where I differ primarily with the NDP. We all share their concern for people, but they seem to have a blind spot when it comes to helping industry which in turn must provide the jobs for the people of this country.

I remember the passing of a Liberal bill not too long ago which spelled out for the first time the undeniable right of industry to introduce technological change whenever it felt like it. Prior to this it had always been an area of no man's land, so to speak, particularly since Judge Freedman's report was published some years ago. Coupled with that right of management was the moral and legal obligation to negotiate the effects of technological change on its employees.

What, really, is accelerated depreciation? Accelerated depreciation is no more than a thrust, shove or push by the government through tax incentives in respect of industries no longer protected by high tariffs to take advantage of sophisticated methods and new machinery in order, in some cases simply to survive and in the case of other companies to expand. I know of one company in the Montreal area, not a large company, true, that had 20 or 25 workers. It was able directly, with the help of the Department of Industry, Trade and Commerce, to buy a piece of machinery it needed for stamping out panel boards for the electrical industry. Its exports alone to Schenectady, as a result of co-operation with the trucking

[Mr. Mackasey.]

industry—Smith and some of the others—made it feasible for that company in Montreal to compete successfully with companies in the United States and to deliver more rapidly. Consequently, it is staffed now by about 100 people, rather than 25. It has repaid the cost of the equipment and it is eternally grateful for the help the Department of Industry, Trade and Commerce extended.

I know these types of programs such as accelerated depreciation are sometimes abused. But so is unemployment insurance, as we pointed out a few weeks ago. So are all our social policies abused. We have the obligation and responsibility to make sure that the companies taking advantage of these types of programs do not abuse them. It would seem to me that the question of accelerated depreciation and reduction of corporate taxes should not pose the same problem or dilemma to the NDP today as it did a year or so ago. I say this because it certainly does not bother me. In May, 1972, our budget was obviously directed to stimulating the secondary manufacturing sector of the Canadian economy rather than oriented toward people, so a very valid case could be made at the time that the budget, taken by itself, was in fact top heavy or was thrust to meet problems in one direction and one direction only, the concept being that if we could stimulate the manufacturing industry in a hurry, this would create the jobs needed.

As I said, the Phillips curve has shifted and events beyond our control will make things more difficult now and in the future. Therefore, we have to think a little more clearly and go a little more surely before we direct the economy. It may be that the methods are the ones suggested by the hon. gentleman who just sat down, but anything would be better than a fiscal or monetary policy that ends up putting half a million people out of work without curbing inflation.

Having said that, I doubt if there is anybody in the House of Commons who could really define what is the source of inflation. Is it demand-pull, or cost-push inflation? Is it the increased cost of wages, the effect that property taxes have on inflation, or the effect of sales taxes? Nobody knows these things. Certainly none of the papers I have looked for in the House or the library would indicate that anybody has studied these areas in any great depth or with any precision.

Let me refer to what this motion attempts to do. It deals with the two main points of the May, 1972, budget coupled with the present budget. Taking the two together, I think the attitude of the NDP in respect of accelerated depreciation and corporate taxation is unrealistic. While I would be the first pragmatist to say there is evidence that some companies have perhaps taken flagrant advantage of some programs, that does not mean to say the programs are not good. Perhaps the policing, the conditions or the criteria of the programs need reviewing.

Certainly depreciation for small business has provided incentives for them to buy bigger machines which they may not have done under normal circumstances. On the other hand, there still could be conditions under our taxation laws in respect of which it is more logical to extend depreciation over five years rather than over two. In light of that, I fail to understand the concern of the NDP over the particular situation of accelerated depreciation.