

Income Tax Act

The kind of injection of funds into the economy that is needed at this time, and which in fact has been needed for a long time, is much more effectively brought into being by reducing income tax at the average and below average income levels. I say that for the following, rather obvious, reasons, though perhaps not. Upper income earners, the middle class Canadians earning \$15,000 or \$20,000 and up, rather than spending this kind of tax deduction and injecting the money into the economy, therefore increasing demand and the likelihood of investment funds creating new job opportunities, are inclined simply to save it. They salt it away. By making sure that any tax benefit goes to the average or below average income earner, you give much more economic stimulus to the economy. This, in turn, leads to demand for more goods and services which results in increasing pressure to create more jobs. Therefore, on that ground as well I think this measure is subject to severe criticism. We should not make across-the-board tax reductions if the intention is to generate employment. The kind of tax reduction we need is selective in nature and should favour the average or below average income earner.

I should now like to say a few words about the corporate tax reduction. If the personal income tax reduction is open to serious criticism, then it is hard to know what kind of language to use with regard to the across the board 7 per cent tax reduction in the corporate sector. In my view it is sheer economic lunacy to offer this kind of across-the-board tax reduction to the corporate sector. A similar measure was brought in before Christmas, in the previous fiscal year. The point I made then and repeat now, since we are dealing with a similar kind of measure for the coming fiscal year, is that a 7 per cent tax reduction for the corporate sector across-the-board will simply give many, many corporations windfall profits, and that is all. Such reduction will not bring about greater investment. It will not mean that a higher percentage of corporate funds will be available for the creation of new jobs. There is no necessary connection between the tax reduction and the creation of new jobs.

• (1640)

If the government had really wanted the tax reduction for the corporate sector to lead to the creation of more jobs in the economy, it should have attached the creation of such jobs as a rider, if you will to such reduction. For instance, the government could have said to the corporations of Canada, "If you can show at the end of the current fiscal year that you have expanded your operation and employed more Canadians, you will be entitled to a 7 per cent tax reduction." Of course, there would need to be a certain minimum percentage increase in employment. If the government had said that, it would have made good economic sense. It would have been wise to say that to corporations. As I say, the government should have said, "If you expand your operation and employ more people, we will offer you a 7 per cent tax reduction in the current fiscal year." However, the government did not do that. It simply brought down an across-the-board 7 per cent tax reduction, which will simply enable many companies to increase their profits or profit margins. The increase will not be exactly 7 per cent; however, it will be substantial. That is unjust. Reducing taxes across-the-

[Mr. Broadbent.]

board for the corporate sector will not necessarily create more jobs.

Similarly, if the government had wanted to use a tax reduction as a means for creating more jobs, that reduction ought to have been applied to certain sectors of the economy. The government ought to have asked itself, "Which sector of the economy is most likely to employ more people?" It seems to me that of the three categories, namely, the service industry, manufacturing industry and resource industry, one category ought to have been excluded as a job producing category, that being the resource sector of the economy.

Mr. Saltsman: The resource sector has already been given substantial tax concessions.

Mr. Broadbent: As the hon. member for Waterloo (Mr. Saltsman) says, tax concessions given to the resource sector are totally disproportionate to the service that sector renders to the Canadian economy, as pointed out by the hon. member for Duvernay (Mr. Kierans) who is a specialist in this field and who in recent weeks and months has voiced criticisms to this effect. The effective rate of tax that the resource sector of the Canadian economy pays is equal to about 50 per cent of the rate that the manufacturing sector pays. It is important to remember that, in terms of jobs, the resource sector employs very few people per dollar invested, as compared with the manufacturing and service sectors.

May I cite an example that I used on another occasion in the House last week? You may spend \$1 million or many millions of dollars putting an oil well or oil pump on the land. All it will do is go "gurgle, gurgle, gurgle" and out will come the oil, and in will go the money to the pockets of investors. Very few jobs, indeed, will accrue from that kind of investment.

An hon. Member: Most of the money will go to foreigners.

Mr. Broadbent: That goes without saying. Since the petroleum industry is about 98 per cent foreign owned, the money will leave the country. That is not the point here. I contend that instead of reducing taxes for the service sector, the manufacturing sector and the resource sector indiscriminately, we should have reduced taxes only for the manufacturing and service sectors. We ought to have said to those sectors of the economy, "You are being over-taxed vis-à-vis the resource industry and you employ more people per dollar invested than the resource sector; therefore, we will load the financial incentive, if you like, in your direction. We will provide you with financial benefits in the hope that more jobs will be created." Again, the government did not make this kind of economically sensible discriminatory decision. Instead, it offered an across-the-board tax reduction to the entire corporate sector.

I have said almost everything I wanted to say on those two points. I think the proposals for taxing personal incomes need significant revision, and I will be moving an amendment during the committee stage in this area in order to provide both some equity and some stimulus for the economy. Secondly, I think we need a change in the structure of corporate taxation in order to make those