

Income Tax Act

should find different ways of creating jobs and making our industry more competitive internationally. What we need are new policies and an industrial strategy, not further tax cuts to corporations given in a helter-skelter manner, with the government sitting back and hoping for the best.

The second intriguing feature I find in connection with this bill, apart from the continuation of old policies, is the way the bill has been presented to the House of Commons. First it was introduced by the Minister of Finance in May of last year, and we all know the fancy stick-handling he has been exhibiting since then. We also know the interesting response of the Conservative Party, first of all being very critical of it and then withdrawing back into their shells, on the one hand wanting to embarrass the government but on the other hand being afraid to have another election or to alienate their friends in the business community.

This is one of the most interesting pieces of legislation that we have seen in this House in terms of the way it has been introduced by the government and received by the Conservative Party. I suggest that the Conservative Party has created a lot of uncertainty in the business community by the stand they have taken. The position of the New Democratic Party has been very clear: the business community knows where we stand on this bill. It knows where the Liberal Party stands. On this bill, we do not stand with the government. But where does the Conservative Party stand? Their position has been uncertain for many months on this particular bill, as well, but not to the same extent, as on the fast write-off provisions.

The government has now come forward with a new idea. It is going to monitor the effects of the corporate tax cut and fast write-offs. This is going to appease the Conservative Party. First of all, there will be an interim report and then a final report will be brought in next year. It looks as though the Conservatives are going to buy this, even although an agency within the Department of Finance is going to test and review its own policy. Then the government has thrown in another gimmick. The bill is going to be reviewed if 60 members sign a petition. I suggest it would be much safer if this figure were 20 or 25 members; then the government would be sure that next year the bill would be viewed. But I am afraid that the Conservative Party will lack the intestinal fortitude to insist upon a review of these corporate tax cuts next year.

Turning now to the tax cut itself of from 49 per cent to 40 per cent, as I have already said I do not accept this kind of economic thinking. This is the traditional approach, and I do not think it will make Canadian business or manufacturing more competitive or create any more employment than if the tax rate remains the same. Our party suggests that a much wiser approach would be to stimulate the economic activity of people in the lower and middle income brackets. The government should put more money into the hands of consumers. If this were done, consumers would purchase more goods, thus creating more jobs, bringing about additional spin-offs in the economy; the manufacturing community would produce more and the economy would become more healthy.

However, this is not the way the government operates, nor the official opposition for that matter. The govern-

[Mr. Nystrom.]

ment continues to operate as it has since 1968, making more and more concessions and giving more and more aid to the corporate sector than to the private sector of the economy. All one has to do, Mr. Speaker, to prove this is the case is to look at the first seven budgets of this government between 1968 and 1972. I have done a few calculations of my own, and I find that in the first seven budgets brought down by this government, at a time when it had an overwhelming majority, taxes for people increased by \$1.5 billion whereas taxes on corporations in the same period decreased by \$500 million.

Today we have another bill before us that wants to give the corporate sector another \$500 million this year. I suggest that this will not solve the problems we are facing. For example, what would happen if the United States took further countermeasures against what we have done? If they lowered the corporate tax rate or took additional protective measures, what would the government of Canada do? Would it again lower the corporate tax rate in Canada from 40 per cent to, say, 30 per cent?

Instead of playing around with the taxation system we should do two or three basic and fundamental things in terms of strengthening the economy. First of all, the government must have an industrial policy which ensures that more manufacturing and processing takes place in Canada for domestic use and, where possible, for export. We import more manufactured goods per capita than any other industrialized country in the world, which itself is largely responsible for our very high rate of unemployment. We must also change our freight rate system so that the outlying areas of this country, not just the golden horseshoe from Montreal through southern Ontario, have a chance to develop economically and to participate in the economic future of this country. These are steps that could make the economy of this country more competitive and create employment in a much more effective way than reducing corporate tax rates and encouraging fast write-offs.

I have already referred to the inequitable distribution of income in Canada, which in turn is spread right throughout the taxation system and the way we judge and evaluate what Canadians do. All we need do is to look at the way we tax a working person compared with an investor or someone who derives his income from stocks and bonds. Let me give one example to illustrate my point. Take a single person with wages of \$10,000 a year: under our tax laws this person will pay \$2,285 in taxes per annum. On the other hand, if the same person received \$10,000 by way of dividends, he would pay tax of only \$193 per annum. This is because of the different value that we place on income earned by way of dividends compared with income earned from wages. I suggest that plugging some of these loopholes and reducing the tax paid by people in the lower and middle income brackets would be of greater benefit to the economy, more jobs would be created and production would be stimulated.

Once again, looking at the reduction of corporate income tax from 49 per cent to 40 per cent provided for in this bill a number of other concerns come to my mind which I feel are fairly serious and which all parties should consider. One of these is the fact that 58 per cent of manufacturing and processing in Canada is foreign-owned, according to