

Income Tax Act

of Commons, which is responsible to the people of Canada for expenditures made on their behalf, and ask us to vote over \$100 million on this basis.

We are talking about the party that prides itself on its business acumen. That party says it is the manager; the Liberals know how to run the country and know how business should be conducted. However, it cannot give an even half intelligent account to parliament of \$125 million. This is unthinkable for anyone who has the interests of the nation at heart. We are not averse to spending money to help the economy. We are often accused of being the big-time spenders. This is the party that wants to spend all the time, so they say.

When we suggest there should be a more generous contribution to old age pensioners, or we should take a less jaundiced view of the poor in our society, the government says that we want to spend this country into poverty. However, when the Liberal party wants to lay out \$125 million to industry for a program they cannot even defend, that is not charity or welfare, that is business acumen. It is not good enough. We are not convinced, and unless we get some better answers from the other side we cannot accept this proposition.

• (2100)

Mr. Broadbent: I should like to add a few words to those of my hon. friend. The Liberal party in Canada is made up of lawyers, junior executives and the like.

Mr. Stafford: What are you?

Mr. Broadbent: They claim that the only party in this country which has any experience of the workings of the economy is the Liberal party.

Mr. Mahoney: We have a couple of professors, too.

Mr. Broadbent: Yes, they are there as well.

Mr. Stafford: Tell us about yours.

Mr. Broadbent: The witticism of the evening! It was not even from the hon. member from Hamilton; it was the hon. member for Elgin, that distinguished jurist who is now an economist. If ever an example were needed of the business and financial sensitivity of the Liberal party, we see it here tonight. They say they will cut taxes payable by the corporate sector to the extent of —what is it, \$125 million?

They say this will be a wonderful thing for the economy. But they have not presented a shred of economic analysis in support of this view. They cannot cite any economist in this country or in the western world who would support the ludicrous statement made by a minister of the Crown a few minutes ago to the effect that this money is being sensibly spent. If the minister wishes to learn something about tax policy which will stimulate the economy, he should go to Norway, to Sweden or to West Germany.

Some hon. Members: Oh, oh!

Mr. Broadbent: All these countries have had growth rates in the past 15 years which exceed the growth rate here. All of them have unemployment rates not above 3

[Mr. Saltsman.]

per cent. The unemployment rate in West Germany is .5 per cent. I would remind hon. members that West Germany is governed by a social democratic party. Germany has imported two million foreigners to work there because the economy is being run so efficiently.

Japan, which was visited recently by a minister of the Crown, is by no means governed by a social democratic party but it is governed by a party which believes that economic planning is necessary, a party which believes it is important to control foreign investment and to determine which sectors of the economy should receive tax stimulus and which should not. It is a basic but sad fact of history that the party which has governed this country for most of the years since the Second World War should claim it has real insight into the management of a sophisticated, modern economy.

The only reason our economy has been relatively successful, and it has, is that there has been a powerful growth of the total North American economy, generated in the main by the country to the south of us, and there have been some fortunate spin-off effects. Unless the government smartens up and begins to use taxation policy in an entirely different way from the approach it has been taking up till now, we can expect that our economy, which is already slipping vis-à-vis those of the countries I mentioned earlier, will get much worse.

The kind of clause we see before us, which simply throws \$125 million to the corporate sector in the hope that inevitably the party opposite will get a substantial donation to party funds in the forthcoming election, is an absolute disgrace.

Clause agreed to: Yeas, 39; nays, 12.

On clause 3—*Reduction of refundable dividend tax on hand.*

Mr. Saltsman: Mr. Chairman, I think we should ask the Minister of State for an explanation of clause 3. The language does not make it very clear.

Mr. Mahoney: Clause 3 is a consequential amendment which reduces the tax refundable to a private corporation on its investment income to reflect the 7 per cent reduction in its corporate tax. The hon. member will recall from his intense study of the tax reform legislation that private corporations only pay an effective tax rate of 25 per cent on their investment income. This is accomplished by having them pay the basic rate of 50 per cent under section 123 when they earn the income and then refunding 25 per cent to them under section 129 when they distribute the investment income to shareholders. Since the basic corporate tax under section 123 is being reduced by 7 per cent, the tax refundable under section 129 must also be reduced by the same percentage, that is, from 100 per cent to 93 per cent.

Clause agreed to.

On clause 4—*Reduction of refundable capital gains tax on hand.*

Mr. Saltsman: Could the minister provide us with an explanation of this clause as well?