

*The Budget—Mr. Sharp*

ter of Finance pointed out in his budget address, among the ten leading industrial nations the growth of Canada's real output in 1971 exceeded that of any other country except Japan and was twice the increase in the United States. The rise in prices was lower than that of any other industrial country. Someone said that if they gave Oscars for countries for economic performance, we would have been one of the recipients.

**Mr. Muir:** Sing along with Mitch!

**Mr. Sharp:** The main task of the budget was to do everything to ensure that the economy continued to surge ahead with a minimum of inflation.

This is a tough job at any time, but I am sure that members of the House will agree that at this particular time with the external threats to stability we had a very difficult task to face. I think the Minister of Finance faced it in a very intelligent fashion because he decided that we had to concentrate upon trying to improve our competitive position around the world. It was clear that the main problem in this connection was in the area of manufacturing. Resource industries have been enjoying special incentives over the years and as far as service industries are concerned, in general they were not subject to the kind of competition that has been causing us concern from outside Canada and they are expanding steadily and vigorously.

In manufacturing, however, in recent years there has been very little if any increase in employment. Forecasts of capital spending saw the same sort of condition, a reluctance on the part of manufacturing industries to increase their investment in plant, equipment and new buildings. The decision was therefore made to concentrate upon stimulating manufacturing industries as the most effective way of underpinning the growth of the economy. This also makes good sense, Mr. Speaker, in terms of an industrial policy. In the years to come there is good reason to believe that the demand for our raw materials and our energy will be very very high; all we have to do is remain reasonably competitive and we should reap the benefits of our good fortune.

When we come to manufacturing the situation is different, however, because there we will certainly have to vie for markets both at home and abroad. This is the challenge that all of us in this country must take up. This is not a partisan matter; it is not a matter that ought to divide the parties of this House or the people of this country. I suggest that this House and all parties in it should strongly support the dramatic tax reductions announced in the budget by the Minister of Finance relating to manufacturing industries.

Spokesmen for the NDP in particular have criticized these tax reductions. They have scorned the confidence of the Minister of Finance in the manufacturing companies of this country. The NDP is cynical about many things and perhaps this is one of the reasons why it never gets very far in politics. Someone said that they claim to have a policy for people but they suspect individuals.

**Mr. Stanfield:** I thought this was a non-partisan speech.

[Mr. Sharp.]

**Mr. Sharp:** What is the alternative to this action proposed by the NDP? What they proposed were across the board tax cuts to individual taxpayers. All of us applauded when the former minister of finance brought in his tax reform and took some 800,000 people or taxpayers off the tax roll and decreased the taxes for another four million people. This was the right priority at that time and combined with the family income security plan brought in by the Minister of National Health and Welfare (Mr. Munro), will probably result in as massive a transfer of help to the poor people of this country as has been accomplished in a generation.

One of the things that puzzled me about this particular approach is that it was opposed by the NDP. The attitude of the NDP toward FISP is little short of incredible. That party talks about a guaranteed annual income. A guaranteed annual income involves the transfer of income to the bottom end of the scale; it involves some sort of tapering of assistance as incomes rise but when the government, under the FISP legislation, proposed this with reference to family income support, the NDP was the only party in this House to oppose it. I think this is unbelievable and I can only say that perhaps the NDP is infected by a larger dose of the "Waffles" than we had suspected.

Would another tax cut to individual taxpayers have been the right step in this budget? This alternative was considered and obviously it has attractions. It might have appeared to be more popular politically to give some tax cuts to everyone in the country but would it have been the most effective way of creating new jobs, which the Minister of Finance quite rightly has said is the priority task? Mr. Speaker, I believe the answer is clearly in the negative. Consumer demand is already growing steadily and substantially. It does not require special stimulus at the present time. Moreover, consumers spend their money not only on goods produced in Canada but spend it on imports. If tax cuts had been used as the means to achieve a greater number of jobs in this country by increasing general spending, there would have been a very substantial leakage into imports with the result that I would have to conclude, as I am sure would all those who look at the problem, that this is the wrong prescription at this time.

**Mr. Stanfield:** Why was it right last fall?

**Mr. Sharp:** Because circumstances were quite different. One of the main purposes of policy at this time—and I am sure the Leader of the Opposition (Mr. Stanfield) would agree—should be to increase spending by Canadians on Canadian goods and to increase the export of Canadian goods. This cannot be done by self-defeating protectionism to which this Liberal administration is very strongly opposed. Export subsidies or tax incentives are not going to do the job because they do not help us at home to meet competition from foreign imports nor, as I have said, can that be accomplished effectively by stimulating consumer demand. There is too much leakage involved in this method. What is needed is further efforts by Canadian manufacturers and processors to produce more efficiently and cheaply, to meet the competition of imports and the competition of other countries in export markets.

The budget zeros in on this problem as its main thrust. It does not do so by half measures but by very dramatic