

Income Tax Act (No. 2)

Mr. Lambert (Edmonton West): The hon. member for York South said it is a loan; I did not say that.

Mr. Saltsman: I think it has many of those characteristics. Let us do it ourselves; let us get into the business. This particular parliament is in a great business. We take all the risks and they get all the benefits. We could have free loans. If a company does well, it might repay at some future date when the business is sold. If it does badly, we will just write it off. That seems like a good business for the government of Canada to be in. There does not seem to be much risk involved in doing that. If the government is prepared to do that in the private sector, we could do it much more advantageously in the public sector.

I want to deal with some of the arguments of the minister with regard to the reasons the House should consider passing this particular tax measure. I refer to his statements as recorded at page 4723 of *Hansard* for June 13. When you look at the minister's analysis of the Canadian economy, your immediate tendency is to agree with him. He says we are in real trouble. I agree. However, when it comes to offering solutions we find ourselves in a *non sequitur* environment. The solutions proposed by the minister seem to have little to do with the problem as he defined it. Certainly there are many alternatives, in the way of solutions, to what the minister has put before us. He is taking the easy way, handing out money. Like a drunken millionaire he is saying, "Here you are boys." There is money all over the place. Instead, he should be calmly looking at the situation and seeing whether in fact there is a better way of organizing our society and directing the energies of government toward improving the manufacturing sector. Referring to the Canadian economy, he said:

Over the past few years it has been adversely affected by the appreciation of the Canadian dollar in relation to United States currency—

How does a reduction in corporate income tax improve that situation? How does a reduction in corporate income tax improve the situation of our currency vis-à-vis that of other countries? What is causing the appreciation of our currency that is reflecting back as a disadvantage? There is one clear cause, and that is the government's policy of encouraging the export of Canadian raw materials. You cannot do both simultaneously: you cannot have a tax system which encourages the extractive industry to export raw materials at the same time as you are trying to encourage the manufacturing industry.

● (1610)

Let me give an illustration of how governments have gone on thinking they could have this dual kind of policy. There was a minister of industry, trade and commerce who made a speech outside this House at one time. He was reporting to one of the prestigious financial groups in Canada and preening himself on the government's performance. We have often seen this repeated by other ministers. He said something to this effect, "We have increased our exports by 18 percent." A large round of applause. The reaction was, that's wonderful; Canada has increased its export by 18 per cent.

He went on to talk about how well we were doing. Then he said, "However, I must point out that all is not totally

well." He said we had also increased our imports by 17½ per cent. What did he expect? You cannot increase your exports without increasing your imports, any more than you can increase your imports over an appreciable period of time without exporting something.

What is really important in this whole equation is not how much you have increased your exports or whether your exports balance your imports, because that happens over a period of time, but what were the terms of trade. What were you selling to other people and what were you buying back from them? The point is, what we are selling to other people are irreplaceable raw materials, and what we are buying back from them are manufactured goods which in many cases we could have made ourselves and whose manufacture would in many cases have provided much more employment than was provided by what we exported. We have imported unemployment and we have exported employment. That has been the policy, and that kind of a policy is not going to be corrected by dropping the corporation tax down to zero, let alone down to 40 per cent.

Let us turn to the other problems which the minister brings to our attention. He talks about the recent enlargement of the European Common Market and says it has added to the competitive threat. What was his government and previous governments doing at the time we were selling twice as much to Great Britain as we were buying back from her? What happened when a prime minister of Canada announced that he was going to divert 15 per cent of our exports from the United States to Great Britain and that we were going to increase our trade with Europe? Nothing was done because we have been locked into a continental policy with the United States that has made us blind to the opportunities which exist elsewhere in the world, and because of foreign ownership, because decisions were being made by continental corporations which had little concern for what happened later to Canada and its relationship to European countries.

Now we are starting to cry that the Europeans do not want us. We are starting to cry that Britain has joined the Common Market. What choice did Britain have when she went to a Commonwealth country, Canada, and said, "Let's enlarge our trade as an alternative to joining Europe"? Canada was not listening and Canada was not helping. Now we say we are in trouble because that market is closed to us. Yes, we are in trouble. But how does the reduction in corporation tax really affect us? Will it make us more competitive so that we can jump over the hurdles just a little bit higher but not enough to really overcome the years of disastrous decision-making that went on in this country prior to that?

The minister goes on to make a third point. He says a further challenge is provided by the emergence of Japan as one of the new industrial giants. Is he really trying to fool us into believing that price is an important consideration to Japan? The Japanese have a totally controlled economy. They buy what they want and price is only one of the considerations, and a very minor consideration. They decide what goods they are going to manufacture, what interest rates they are going to encourage. They are buying from Canada. They are buying coal and selling it