

The Budget—Mr. Saltsman

corporation to hide the fact that its profitability has been improved. It would have been far better if the minister had taken the amount of money involved from some of these corporations and given it back to the people who want to spend it. The problem is not a shortage of machinery. The problem is not the necessity of encouraging capital expansion. The problem lies in the shortage of purchasing power.

The people of this country need many things, but they do not have the money to buy them. By cutting taxes, we could have stimulated the economy. By taking other steps, such as increasing income tax exemptions, we could have further stimulated the economy. That stimulation would have been reflected by increased purchasing power, which would have started the wheels of industry moving again. According to the minister, it is anticipated that this new measure will cost the government about \$250 million. That is almost the same amount of money that the government would have lost if it had dropped the 3 per cent surtax. The minister is thereby saying to us that the best way of meeting our present day problems is by giving industry the benefit of this money instead of by cutting taxes for ordinary people. I think he is dead wrong. I cannot understand his reasoning or logic.

If the government is short of money and wishes to maintain the flow of funds, surely the granting of these increased depreciation allowances was not the way to solve its difficulties. Increased depreciation allowances create difficulties. Of course, the first impact of such measures is to encourage people to modernize their plants. There can be no argument about the value of plant modernization programs. The government is allowing industry the money to do that. The increased depreciation allowance will enable industry to construct buildings and acquire machinery. To the extent that the allowance is used to erect buildings, it will create employment. Yet, when the allowance is used for the purpose of machinery acquisition, two things happen. The tendency is for more automated machinery to be used. In the short run, that throws people out of work. To that extent, the allowance does nothing for the man who suddenly finds himself unemployed.

In addition, the machinery itself is seldom bought in Canada. Most of such machinery that we use in this country is imported from the United States. Therefore, first, we see the usual offset taking place as a result of automation. There are fewer jobs as a result of automation, and automation increases which increased capital cost allowances. That unemployment is compensated for by increased employment in the capital goods sector. So goes the theory. But that will not happen in Canada, because our machinery for the most part is not made in this country. Perhaps it would have been better if the government had said these grants were to apply only to purchases made in Canada. Yet even so, there would be some obvious difficulties. The measure itself is poorly designed. I cannot comprehend why it was used, particularly since the government has had such bad experiences with depreciation allowances every time it has permitted them. The last time the minister used them, his purpose was to slow down the economy. That did not work. He

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did not learn anything from that experience. He is talking about using increased depreciation allowance and more rapid write-off to stimulate economy. I do not see how that will work. It certainly will not work as effectively as other measures.

• (4:30 p.m.)

I now wish to deal with the regional development program. For years, many of us have fought for regional development programs to stimulate the economy of some less industrially developed parts of Canada. We are now taking a second look at the whole program. It does not make any difference who first had the idea for this program. If there is a way of ruining an idea, the Liberal party will find it. They have a fantastic talent for destroying good ideas.

Mr. Barrett: What a philosophy.

Mr. Saltsman: I am glad the hon. member is awake. It is always better to speak to a group whose eyes are open, even if their ears are not.

Mr. Barrett: Make it good so we will stay awake.

Mr. Saltsman: The idea of regional development was good. It received the support of virtually every political party. What has happened to this program? Regional development must be enormously selective. It must be pinpointed and restricted to very few areas if it is to work. If not, the incentives could be so enormous that they will become self defeating.

Virtually all of Canada has been designated under the regional development program. It would make more sense, and there would be less paper work, if the government would state which areas of Canada are not designated under the regional development program. The entire Atlantic region, all of Quebec except one per cent, the entire province of Manitoba, a large part of Ontario, Saskatchewan, Alberta and British Columbia are designated. What is the sense of this program? When this fact is pointed out to the minister, he says not to worry because there will be different rates of incentive; the present rates will apply to the new areas designated but there will be different rates for the areas presently designated.

Mr. Stanfield: Give him a few more months.

Mr. Saltsman: At least we are together in this. It is a comedy. The Minister of Regional Economic Expansion (Mr. Marchand) appeared before a committee of which I was a member. I am sorry I did not have time this afternoon to look for a specific reference. If someone wants it, I will locate it. The committee at that time was discussing the level of grants. The maximum was going to be 25 per cent. One of the members of the committee asked the minister whether he would consider a 30 per cent maximum. The minister replied that if there was to be a 30 or 35 per cent maximum, the government might as well operate the industry instead of giving all that