

Employment Incentive Programs

Mr. Pepin: I cannot judge because no specific suggestions have been made.

Mr. Hees: The fifth thing the government should do is introduce tax incentives to induce greater productivity and, by reducing costs and selling prices, make our products more competitive both in Canada and in the world markets. In this way, our Canadian products would sell in greater volume in Canada and in markets of the world and, as a result, production would be increased and jobs created. These tax incentives would be paid on the basis of increased productivity in individual plants and would give industrial leaders in this country the incentive they need to persuade them to buy expensive new plant equipment and production systems necessary to get costs down, making it possible to sell Canadian products at more competitive prices.

• (1520)

Now, having told the government what it should do, the question is what are the chances of the government adopting these very sensible suggestions. The answer I am afraid is that the chances of that happening are very slight. There seems to be ingrained in all Liberal governments a certain arrogance which makes it impossible for them to accept suggestions from anybody else. When I was here before we formed the government, when the St. Laurent government was in power, Mr. Howe, Mr. Harris and all the others would not consider a suggestion. They did not realize how wrong they were until they woke up around eleven o'clock on June 11, 1957 and found they were out of office. Now, I see exactly the same situation developing again on the other side of the House. There is the same arrogance, the same conceit and the same unwillingness to accept any suggestion, no matter how constructively it is put forward.

I see the Prime Minister (Mr. Trudeau) in the next couple of months once again having the same tremendous debate in his own mind concerning whether he will have the election this fall or put it over until next spring. The story about what went on here a few weeks ago is well known. The Prime Minister was all set to go. He thought he had it in the bag for the Wednesday, and then he received the polls from across the country which showed he would lose a great many seats. His pollsters told him they were not sure whether the result would be a minority Liberal government or a minority Conservative government. So, at the last moment, the Prime Minister decided not to go to the country. He gave the vague excuse we all heard and laughed at. He simply turned tail and ran.

What is to happen when the government will not accept these sensible suggestions so that the economy could get going during the summer or early fall? The Minister of Finance (Mr. Turner) had hoped his incentives which were introduced on May 8 would do the job. They will not for the reasons I have mentioned. We will see the Prime Minister trying to decide once again whether he should hold the election in the fall, as he did when he tried to decide about the spring election, or hope that things will get a little better next spring. I say things will not get better, and for a very good reason. I say that reluctantly because I would like to see things get a whole lot better in this country.

[Mr. Hees.]

The incentives of the Minister of Finance will not work for the two reasons I mentioned earlier. Two matching tax increases will take place simultaneously. His tax increase for all companies, other than manufacturing and processing, largely nullifies the benefit of the decrease to manufacturing and processing industries, and for a very good reason. In the minister's proposition which he mentioned on the night of May 8, there is absolutely no requirement that business spend the benefit from that tax reduction granted to manufacturers and processors in the way the government wishes them to which is to increase their production and provide more jobs for the Canadian people. These manufacturers and processors can take that tax reduction and do any one of three things with it. First, they can do what the government and the country wants, which is increase their operations, increase their production and make it possible to provide jobs for the people in Canada who want to work. Second, they can pay out the benefit from the tax increase in the form of annual dividends or, third, they can put the benefit from the tax decrease into the company reserves.

There is no indication at all concerning what the manufacturers and processors of this country will do with the windfall which will come to them starting January 1 next. The government is reducing taxes to one segment of the economy which means that another part of the economy will have to make up the loss. The general taxpayer will have to make it up in some way or other. Any businessman will tell you that if you want businessmen to do something you do not simply hand them a lump sum of money, as this government is doing, and trust in God that they will do what you want them to do. A good many businessmen in this country are laughing up their sleeves at the Minister of Finance today. There is no requirement that they spend the money in the way the government wants them to do.

What the government should have done, and should do now, is say to businessmen that this is what we want you to do; if you do it you will be rewarded generously at the end of the year in exact proportion to the way in which you carry out the government's wishes. In other words, the government should say to them that if they increase production and increase jobs in their plants to a certain percentage they will receive a proportionate tax rebate; the more they do this the greater the tax rebate they will receive. In that way, business is being paid when it has done what the government wants it to do rather than being given the money ahead of time in the hope that it will do it. That is the kind of thinking fuzzy-minded theorists do and believe will work. It will not work because many manufacturers and processors in this country simply will not use that reduction in the way in which the government wishes, and there is absolutely nothing the government can do about it.

I am afraid the government will not accept these very sensible, business-like suggestions. There is no member on the other side of the House who could claim for a moment that any one of the suggestions I have made is not sensible, straightforward and businesslike in respect of getting the economy going. Because the government will not accept these suggestions, I am afraid we are destined to see the economy move along in the same sluggish and ineffective way it has been for three years