

GOVERNMENT ORDERS

[English]

THE BUDGET

FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The House resumed, from Monday, November 16, consideration of the motion of Mr. MacEachen that this House approves in general the budgetary policy of the government, and the amendment of Mr. Wilson (p. 12752).

Hon. George Hees (Northumberland): Madam Speaker, the budget which was presented by the Minister of Finance (Mr. MacEachen) to the country last week was far more notable for the things which it did not do than for the things which it did. I believe that a principal weakness of the budget is that it will do nothing to stimulate the economy or bring down the cost of living. The minister admitted that both unemployment and the cost of living will remain at their present high level or go even higher during the next few years. By failing to stimulate the economy, the budget will do nothing to lift the country out of this serious recession which we are experiencing today and which is predicted to get even worse during the winter months. Economic stimulation is urgently needed.

● (1550)

In planning to stimulate the economy it has become obvious during the last five years that if a government wants businessmen to do something which it believes is necessary for the good of the country, it must not simply hand them a gift in the form of a tax reduction and hope that they will make use of it in the way the government would like them to. What a government must do is to tell businesses what the government wants to accomplish, and it will reward efforts to bring about that aim in proportion to the effort that is made.

What, then, do we want businesses to accomplish in order to get our economy moving at a satisfactory pace? First, we must make our products more attractive in price, quality and design so they will be preferred by Canadians and foreign buyers to the ones they are now buying. No Canadian, or anyone else, is going to buy a Canadian product if they can find a foreign-made product of equal quality and at a lower price, or one of better quality at the same price.

Second, we must sell our products more aggressively in the export market.

Third, we must turn more of our raw materials into finished products here in Canada.

I am convinced that the only practical and effective way to accomplish these three objectives is to develop an incentive strategy which will bring about substantial improvements by increasing productivity, increasing research and development, expanding export trade and processing more of our primary products in this country.

To increase productivity, we must offer incentives which will persuade producers that they will be able to pay for the new plant, machinery and production systems they will need to buy

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in a reasonably short space of time. This will make it as easy as possible for them to make the usually high expenditures involved.

The kind of incentive I have in mind would be one whereby (a) all capital expenditures may be written off in one year; and (b) a plant would be rewarded in the form of a cash bonus at the end of the year in proportion to its increase in productivity during the year, compared to the base year, the last full year before the plan goes into operation.

This form of incentive has been very effective in increasing productivity in such countries as Japan and West Germany, where spectacular results have been achieved since the end of the Second World War. I am convinced there is no reason why such an incentive would be any less successful in this country today.

Next I would like to deal with the steps which I think should be taken to increase the amount of research and development which is carried on by industry in this country. One of the reasons we have had to rely so heavily on foreign investment in the past is that investment brought with it technology which was produced by research done in the country where the capital originated. To be less reliant on foreign investment, to capture new markets which are looking for new and better designed products and to lower costs and become more competitive, it is obvious that we must carry out a great deal more research and development in this country.

To bring this about, we should allow industry to write off 200 per cent of the cost of current and capital expenditures on research and development in excess of those made in the base year, the last full year before the program is introduced. In addition to writing off the full cost in one year, it will put a considerable cash reward in the pocket of the company undertaking the research.

This kind of program has been successful in significantly increasing the volume of industrial research in countries where it has been introduced. I am convinced it will prove equally effective in Canada.

The third incentive with which I would like to deal is one designed to promote greater sales in the export market. Because of this country's great dependence on the United States market, where 70 per cent of our export sales go, together with the steady move of that country toward protectionism, the development of additional markets has become particularly necessary if we are to increase our volume of exports or even maintain our present level of export sales.

Making sales in other countries depends, to a very large extent, upon doing four things successfully. First, going abroad and making personal contact with potential buyers; second, finding out what is required to meet the competition in those markets; third, returning to Canada and producing a product which can compete successfully; and fourth, displaying the product effectively before potential customers.

The incentive I suggest would allow producers to write off 200 per cent of all expenses connected with making sales trips abroad, displaying their products at foreign trade fairs, and