

*Income Tax Act*

Finance said that it was both the policy and the responsibility of the government to provide for full employment in this country and to have policies directed toward that end. We did not have the provincial governments rushing forward and saying that it was their responsibility. This is a responsibility which the federal government has assumed and this is an important economic and social objective which was enunciated by the Minister of Finance.

There is another aspect of his budget address which has a very important social objective. It is not a major part of the program but certainly it is an indicator of his thinking and a milestone along the road. I refer to the very important provision for the retraining of men 45 and over. It showed an important, social conscience, an objective which can be enlarged upon and a significant departure in the economic policy of the country.

The Minister of Finance said that his budget was expansionist and it is this aspect of his budget and his policy about which I should like to say a few words in light of the legislation now before the committee. I believe it is expansionist. If this country is going to develop we have to encourage an increasing rate of capital investment. We must encourage capital investment. We must assure that we build the plants and factories, the arterial roads, the cities and the whole complex of industrial development.

The budget has provided very important incentives for the development of capital for building the physical plant and the complex in which the economy may develop and prosper. The hon. member for Northumberland, not in a rambling speech but in a very able speech, said that in the policies of the government there were aspects of discrimination. I think that is very true. Discrimination is the choice between alternatives, and the government must select those alternatives which it believes are important for the country and must encourage the development of the economy along those paths.

That is why the government introduced accelerated depreciation allowances. It is encouraging a certain type of capital investment. By allowing depreciation on equipment on a two-year basis the government is giving a most important incentive to investment. Special allowances for particular areas are again discrimination, in the terms in which the hon. member for Northumberland discussed it, in order to improve the productive capacity of slow growth areas. The special incentives offered in designated areas again are an important aspect of the encouragement of private investment in Canada.

[Mr. Gelber.]

It has been suggested that we should copy the policy proposed for the United States, with a tax cut. I maintain that the incentives which the government is providing are in effect an aspect of a tax cut. Instead of across the board incentives, it is providing incentives in several areas to meet special development. This type of discrimination, in terms of the more productive areas of our country, is an important aspect of the budget.

I have some figures here which I think are very revealing. They deal with the relative position of the budgetary deficits in Canada and the United States, expressed in terms of gross national product and adjusted for the two countries in terms of the comparative size. In the year 1960 the United States, in billions of United States dollars, showed a surplus of 1.2. Canada, in terms of Canadian dollars, showed a deficit of 5.8. In 1961 the United States showed a deficit of 3.9 while Canada showed a deficit of 4.8. In 1962 the United States showed a deficit of 6.4 and Canada showed a deficit of 11.1. In 1963 the United States had a deficit of 8.2 and Canada's deficit was 9.9.

This means, Mr. Chairman, that the area for manoeuvring by the Canadian government is that much less. It means we have used up some of that advantage, if there is an advantage, which is being advocated for the United States. We have used up some of that advantage.

There are other aspects in our economy which make our budgetary position less flexible than that of the United States. It seems to me that the government of Canada, in offering these incentives in specialized areas in order to increase the productive capacity of Canada, in order to encourage those areas of the economy which contribute most notably to the gross national product, is following an expansionist policy, and the legislation before us today is an important step along this road.

In terms of investment there has been a lot of discussion about withholding taxes. There is one aspect that has not been mentioned in the house. If the minister is successful in encouraging United States subsidiaries to become public corporations it will provide on the stock exchanges of this country a new series of blue chip stocks. One of the factors which is curtailing Canadian investment in Canadian companies is the limited number of securities in Canadian stock exchanges which can be considered to be blue chips. Some of the prime corporations of the country, some of the most important ones, are United States branch plants and as private companies are not available for direct