

*Income Tax Act*

aware whether any report on the program in question is available as yet, but we have knowledge of the generally improved economic performance in Canada to bear out that on balance the package of programs has created an improvement. I shall inquire whether we have the results of any assessments of this particular package of measures over the first six months of its term, that is, the last six months of 1971. If figures are available, I shall attempt to impart them to the hon. member, but I do not have any assessment at my fingertips.

**Mr. Broadbent:** I should like to pursue this fascinating set of questions and the equally fascinating non-answers we are getting from the minister. The minister's answers are reminiscent of those we used to get from the minister of industry, trade and commerce—

**Some hon. Members:** Question.

**Mr. Broadbent:** —on the question of money spent on scientific research and development programs. The fascinating Liberal theory at that time was that if you spend a million dollars on a science policy or any kind of research and development program, somehow something must occur that will benefit the economy and improve the level of scientific research. This is hardly a profound kind of causal analysis of what occurs in either science or the economy.

If the government has decided that by cutting a couple of hundred million dollars out of the tax load of the corporate sector of the economy there is bound to be a causal effect on unemployment, that seems to be a reasonable conclusion that any five-year old could draw. But surely intelligent economic policy was intended to get the maximum benefit per dollar spent.

I ask the minister why the government did not relate the tax benefit to actual expansion of employment, if the real intent was to stimulate the economy. I realize that stimulating the economy may not result directly in expansion of employment but perhaps in expansion of efficiency. Since the minister has already said that when this measure was brought in the government was concerned with an economy which was in need of stimulus, in need of more jobs being created, why did the government not say, "You can have your 7 per cent tax reduction if you can show at the end of the fiscal year that you have expanded your employment by a certain percentage"?

**Mr. Mahoney:** In the first place, Mr. Chairman, I would not wish the hon. member to feel that he has hurt my feelings at all—

**Mr. Broadbent:** That is impossible.

**Mr. Mahoney:** —by comparing me to the present Minister of Industry, Trade and Commerce or to any of his predecessors. Unfortunately, sometimes the answers to simple questions tend to be complex, and sometimes the questions, while simple themselves, deal with complex matters. Perhaps in asking his question in the terms that he did, the hon. member is reflecting the same preoccupation that he has, for example, with the manufacturing and service industries to the exclusion of resource industries.

[Mr. Mahoney.]

It seems to me that a tax cut which permits a company, not necessarily itself, to create new jobs and to buy goods and services from its suppliers, thereby permitting them to create new jobs, is a valuable thing. The economy is not nearly as simple as the hon. member would seem to indicate. He is preoccupied, for example, with the relatively few people employed in mining operations. That is fine, but there are many people employed on the railways that haul the production of the mines, many people employed in the steel mills which provide the trucks, cars and so forth that haul the production of the mines. To simply relate tax cuts to direct employment would be to do a disservice to a very complex economy such as functions in Canada today. Our economy is not a simple operation and it does not lend itself to simplistic answers.

**Some hon. Members:** Hear, hear!

**Mr. Broadbent:** Mr. Chairman, I shall not say that the minister's answer was simplistic, but I am not sure if he implied what my simplistic solution to my own question was. I should like to catch the minister in the logic of his own reply and see if he can get out of this. If I understood correctly, he was saying that the manufacturing sector or the service sector is more labour-intensive than the resource sector, and if that is the concern there may be a case for the government applying its tax benefit only to those two sectors if they want to generate more employment. But he went on to say that the economy is more complex than that; that even if the resource sector is stimulated there will be effects because it purchases goods and services from other sectors of the economy, and he cited the railway industry and the steel industry.

Mr. Chairman, that misses the essential point. Of course they purchase goods and services from other sectors, but so does the manufacturing sector. Surely that is the point. If you have a steel industry, a textile mill or an automobile plant that in its own operation employs more people per dollar invested than the resource sector, there are spin off effects because all the goods and services they buy from other sectors means that the total employment introduced will still be greater than allowing some of the money to go into the resource sector. I should like the minister to comment on that point.

**Mr. Mahoney:** I do not think I can add very much to what I have already said. I feel the over-all performance of our economy has borne out the judgment of the government in this respect. I think probably the hon. member would find that a great deal of employment could be generated in the hand-made buggy-whip business, but perhaps the market for the product of that labour-intensive enterprise might not be very large.

I think Canada has to operate under the economy it has, not the one it might wish it had or that the hon. member might wish it had. Therefore we must work with the assets we have. The statistical information on the performance of our economy over the past year would indicate that it has been operating relatively well.

**Mr. Saltsman:** Mr. Chairman, since I know that the Minister of State has considerable experience with the resource industry, I should like to ask a question about the way in which a tax cut stimulates resource develop-