

*Income Tax Act*

we are trying to encourage the development of the Canadian economy by protecting certain Canadians from the problems associated with inflation in terms of their own incomes. We will inject new capital into the economy to assist businesses and enable them to expand and so forth.

● (1150)

Of course, one of the reasons we find ourselves in this difficulty is that a number of Canadian corporations over the past number of months, and I could use Dome as an example, have made a number of imprudent decisions in terms of their investments and have found themselves over-extended. A lot of people are in trouble as a result of the merger mentality that has developed over the last couple of years. In a sense, we are now bringing in legislation to help those companies get out of the heavy debt position in which they find themselves today. The assumption is that as companies remove themselves from their debt situations, they will expand their operations and thereby create jobs for Canadians and do something to alleviate the very serious unemployment problem in the country. I believe that that is the philosophy underlying provisions such as the ISIP clause.

The information that I have seen over the last few weeks, Mr. Chairman, would suggest that corporations are not expanding. As a matter of fact, corporations' investment plans have certainly been reduced and are less than we had anticipated. More importantly, as many analysts have pointed out, rather than expanding in a job-creation sense, expansion often takes the form of new investment in capital goods and takes advantage of the new technologies. Again, one cannot fault the corporate mentality for pursuing that course. However, as corporations get out of their heavy debt situation and invest in new plant, this usually results in job loss. In other words, there is a reduction in the number of people being employed. A number of analysts have suggested that we might see in Canada as well as in other western nations a decline in the middle classes as a result of this kind of thing and low paying jobs will be created down the line. Does the Minister agree with the analysis, which I believe is becoming relatively common, popular and widely supported, which indicates that by assisting at least certain types of corporations, the result will in fact be a net job loss as opposed to a net job gain?

This brings me to my real question. Has the Department given thought to using the ISIP provisions to assist certain kinds of businesses, perhaps businesses at the smaller end of the scale, through which I believe most people now realize that jobs will be created? Jobs will not be created through the large corporations but in future they will be created through the medium and small businesses in Canada, many of which are not being assisted at all by this legislation. As a matter of fact, a great deal of investment money will be encouraged in those companies that are listed and many of the smaller Canadian firms will not be receiving the venture capital necessary for the creative, innovative and dynamic times that we should be seeing but which we are not seeing.

**Mr. MacLaren:** Mr. Chairman, the Hon. Member opposite has made a thoughtful statement which I hope he and I will have an opportunity on another occasion to discuss at greater length. I do not know if it would be appropriate to take very much time this morning discussing the very broad issues he has raised. The question of capital formulation in our society, the way that it is applied to investment in productive capacity and the impact of high technology capital investment on job creation in our country, are all fundamental questions which are of interest, I am certain, to every Member of the House.

The Hon. Member opposite is, of course, right in identifying ISIP as a program that is intended to bring forward new capital investment in our economy. During the period of recession, many corporations have been heavily in debt. Their debt to equity ratios have suffered. We have seen companies look in vain for equity investment during period of recession. As we emerge from the recession we are offering an additional stimulus for equity investment in Canadian corporations.

The Hon. Member opposite has asked whether the corporations are likely to apply that additional capital to equipment which will have the net effect of putting people out of work and reducing the numbers employed in a company or industry. I would say yes, I think this can happen. We could see particular instances where increased capital investment could lead to some displacement of employment. Equally, however, and I think this is of greater importance, we will also see that increased capital investment can lead to increased productivity and greater international competitiveness and the growth of other industries, parallel industries, support industries and service industries. This will create employment that can offset reductions in employment in some of the more traditional industries.

It is a gross over-simplification to point out to the Hon. Member that Japan, a country which has had a very high rate of capital investment and a very high rate of high technology application, is also the country with one of the lowest rates of unemployment among industrial countries. I say that is a gross over-simplification because there are other factors at work which have restrained unemployment in the Japanese economy. Having said that, I do not think one would want to dismiss the observation that the rate of capital investment and the rate of the application of high technology in Japan has contributed to very high rates of productivity and very substantial international competitiveness, which in turn has created the jobs that the Hon. Member opposite and I both seek for Canada as well.

The Hon. Member also referred to the need for support for small and medium-sized business as that sector is the principal generator of employment in our economy. Indeed, the Hon. Member is entirely correct in pointing out that small businesses provide the major part of employment in our society. Equally, small businesses are often the most innovative elements in our economy. They are companies which not only often take the initiative to apply new forms of technology, but they themselves often develop new technology. As well, they are typically Canadian controlled companies. The rate of