PEOPLE'S PARTY of CANADA

ECONOMY

Encouraging Investment and Productivity Growth

Issue

There are only two ways to create more wealth and prosperity: we can either work more or work more efficiently through increased productivity. Investments in R&D, innovation, more efficient production processes, machinery and equipment are critical to improvements in productivity and living standards.

Improved productivity leads to better, higher-paying jobs, and therefore a higher standard of living. And in a context where there are manpower shortages in many sectors, investment is a way to increase production without necessarily having to employ more workers.

Unfortunately, in the last decade, Canada's business climate has become less and less welcoming to both domestic and foreign investors, business investment has gone down, and our productivity is lagging that of most other industrialized countries. This slowdown of productivity, coupled with the Trudeau government's mass immigration policies, means that we have more and more people to support with a stagnating economy. Instead of growing, GDP per capita and our standard of living are declining.

More government intervention in the economy is not the answer to our economic challenges. Every time the government takes an additional dollar in taxes, or borrows it, this is a dollar that individuals or businesspeople will not be able to spend or invest.

Facts

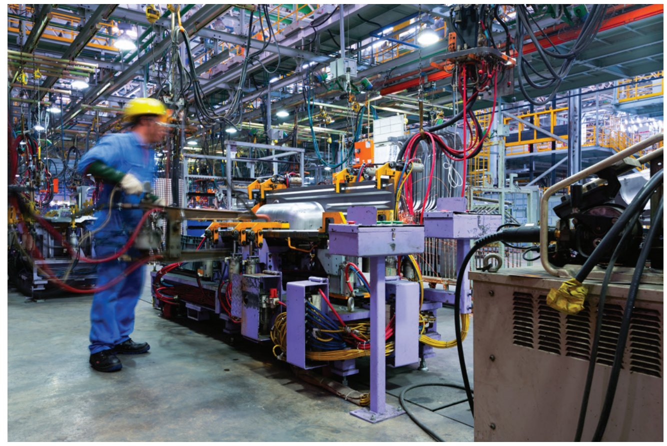
A 2018 study by the School of Public Policy at the University of Calgary found $14 billion worth of direct and indirect federal business subsidies every year. This number is certainly much higher today, the Trudeau government having announced in 2023 $32 billion in subsidies to only two companies producing batteries for electric vehicles, and planning to spend hundreds of billions of dollars in subsidies in the coming years to fight so-called climate change. Subsidies do not spur more economic activity. On the contrary, they create inefficiencies and market distortions by unfairly favouring some companies or sectors at the expense of others.

According to the latest OECD figures, Canada's combined federal-provincial corporate income tax rate is the 12th highest amongst the 38 OECD countries. A more competitive tax rate would ensure that Canadian businesses become more profitable, pay higher salaries and invest more.

By reducing the return on investment, a capital gains tax not only lowers overall investment, it also hinders the allocation of capital to its most efficient uses and discourages riskier ventures that are likely to bring more innovation. Many of our trading partners do not tax capital gains. There was no capital gains tax in Canada until 1972. Abolishing it would encourage every Canadian to save and invest more and would give our entrepreneurs access to a larger pool of capital. The benefits to our economy would vastly exceed the loss of government revenues.

Our Plan

Ottawa should stop taking billions of dollars from the private sector and redistributing them through subsidies. It should instead lower taxes for all businesses and encourage saving and investment to make our economy more productive.



A People's Party government will:

- Eliminate all corporate subsidies and other inefficient government interventions (bailouts of failing companies, regional development grants, conditional loans and loan guarantees with an implicit subsidy, tax credits, etc.) that unfairly support some companies or business sectors. This will generate savings of tens of billions of dollars every year.

- Gradually reduce over the course of one mandate the corporate income tax rate from its current 15% down to 10%. When completed, this measure will make about $16 billion available to businesses, allowing them to increase salaries or invest in productivity improvements.*

- Over the course of one mandate, gradually abolish the personal capital gains tax by decreasing the inclusion rate from the current 50% down to 0%.

- End the Trudeau government's policy of mass immigration as a solution to manpower shortages (see policy on immigration), and focus instead on encouraging businesses to invest and improve their productivity.

**According to the Parliamentary Budget Officer's Ready Reckoner website, July 2023.*

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PPC Headquarters
1 Nicholas St, Suite 700
Ottawa, Canada, K1N 7B7
Phone: 819 205-2648
E-Mail: info@peoplespartyofcanada.ca

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