benefit? First, Mr. Speaker, they are people who pay estate taxes, and that is a very small sector of our society. Even though $50,000 may seem like a small amount to the hon. member, there are very few people who die with an estate that large, although I agree with the hon. member that there will be an increasing number. The real victims, the weak who suffer the cruel tax of inflation, may not have a taxable estate. They suffer from inflation with no adjustments proposed, because they are too poor. So, you have to have a certain status, a certain economic position, before the benefits which are proposed by the hon. member would apply.

Secondly, you have to have invested in government bonds. Now, Mr. Speaker, there are all kinds of bonds. I do not think it is in the interests of the government to try to corner the market for loan capital. I do not think it is in our interests to see government bonds very much more desirable than other bonds because I think it is important that bonds offered by the private sector are also attractive investments. However, only those who have chosen to invest in bonds of the government are to get any benefit from the proposal put forward by the hon. member.

A third factor to be kept in mind is that bonds do not only decline in proportion to inflation. The value of bonds is also affected by their interest rate, so that as they may go down in value because of inflation taking place they are also affected by the particular interest rate at which they were contracted. It very often happens that bonds can be declining or increasing at the same time as the interest rate is going one way or the other, so that their value is not only related to the amount of inflation taking place but related to the changing interest rate. For example, in the last few months government bonds have been sharply increasing in value, but I do not think the opposition would be willing to acknowledge that inflation has disappeared or is declining in a proportionate amount.

The five year rule which the hon. member has proposed not only compounds the unfairness of the proposal but adds an element of Russian roulette because it is an arbitrary number, and based on an arbitrary number one's estate tax liability is to be determined. I think for a rule along this line here to be considered it would surely be inappropriate to attach some arbitrary qualifying period to it.

I would like to conclude, Mr. Speaker, by simply pointing out again that the appropriate strategy, in my opinion, for dealing with inflation is not to go around creating loopholes for particular individuals to escape from the effect of inflation. Everybody suffers from inflation. The appropriate solution is for the government to seize upon a policy of monetary control and policy of fiscal control which assures that inflation, if it is to take place, will take place at a steady rate rather than an arbitrary unanticipated rate, or to a constantly accelerating rate.

Since I have a few minutes left, I might refer to the excellent suggestion which the hon. member made when referring to the illustration of those trust companies which agree to redeem bonds at face value regardless of their market value at the time that they may be tendered for redemption. This is an excellent idea. It is nothing more than an insurance feature of a bond. I would urge the Department of Finance to consider offering bonds which do contain an insurance feature, that is to say, which contain an assurance that when tendered on the death of the purchaser they will be redeemed at face value. The interest rate paid on them will have to be proportionately less because this is an actuarial problem which would have to be included but, if I may use the Bay Street term, it is certainly a sweetener which will make the bonds far more attractive. In that connection I am glad to have that suggestion brought to my attention, and I hope it will also come to the attention of the government.

Mr. Murray McBride (Lanark-Renfrew-Carleton): At the outset, Mr. Speaker, I wish to commend the hon. member for Wellington (Mr. Hales), in whose constituency it was once my pleasure to live, for putting this very thoughtful and practical notice of motion before the House. In particular, he suggests that the Estate Tax Act be revised:

—to provide that taxes, interest, penalties, costs and other amounts due and payable under that Act in respect of an estate may be paid in whole or in part by the transfer or transmission of Government of Canada bonds or other securities of Canada to Her Majesty where such bonds or securities form part of the estate and were acquired by the deceased at least five years prior to his death; and that payment so made shall be deemed to be payment at the face value of such securities with interest, if any, accrued thereon.

I wish to direct attention to two phrases in this notice of motion. The first is the five year provision to which the hon. member for Don Valley (Mr. Kaplan) has alluded. If we are going to pursue this suggestion should we not think of a period perhaps double that length, say eight or ten years, because in its present form it creates the loophole that has already been articulated by the hon. member for Don Valley. There is that weakness in it.

Mainly, Mr. Speaker, I wish to comment on the next part of the notice of motion which says that the bonds or securities shall be deemed to be payment at their face value, etc. Here we come, I think, to the social costs of inflation, the social costs that have fallen upon all segments or our society including—and this factor has not been yet introduced in this debate—governments. The one segment of society that must pay part of the price, or indeed the lion's share of the cost of inflation, is government itself.

• (5:30 p.m.)

But it is the government which through such issues as government of Canada perpetual bonds has been able to devise through the years an instrument whereby it is able to dole out this cost to be borne by individual citizens on behalf of the country as a whole. In other words, the cost of inflation falls on government just as it falls on every citizen in society. However, through such techniques as perpetual bonds the government is able to pass on to individuals the cost of that which should really be borne by the government itself. This, it seems to me, is basically unfair.