

Income Tax Act

Mr. Rondeau: Right. No wonder we are so poor.

• (9:50 p.m.)

Mr. Kierans: Mr. Speaker, a nation's natural resources are not past-production; they are the wealth of its soil and waterways. As such, they cannot be viewed in the same light as current production, as goods and services that we produce each year. Those goods can legitimately be disposed of at will by the people who produce them currently in any given year. Resources are a trust. They have been received from the past. They are to be husbanded by the present generation and they are to be passed on to future generations. A generation that deliberately squanders a nation's natural wealth—I emphasize "deliberately squanders"—to enhance its own standard of living will have much to answer for.

Some hon. Members: Hear, hear!

Mr. Kierans: A government that deliberately pursues a policy of selling off the natural wealth of its people to achieve short-run gains breaks faith with its own future. It reveals, by the forced sale of its assets, its inability to devise the set of objectives and economic policies that will increase output and distribute it more equitably on an annual basis. It admits that the standard of living we enjoy today depends on the selling of our capital in natural wealth as well as on our own efforts.

Unfortunately, Canada decided in the late forties and early fifties to ensure a rapid rate of growth by selling off its non-renewable resources. This policy was permanently enshrined in our tax legislation in 1955 and still survives, despite the bill before us today. The current attempts of the resource industries—we have all received letters and been under pressure from these people, particularly from the Mining Association of Canada—to prove their unbought value to the Canadian economy are based on considerable exaggeration and sometimes border on hysteria. Their use of the multiplier, which one sees so much of in their advertising would, if accepted and applied to all sectors of the economy, force on to conclude that there are between 12 million and 14 million people presently employed in this country instead of 8 million plus the half million unemployed.

I have been constantly amazed, Mr. Speaker, by the violent and vehement representations of the captains of our resource industries as they fight to maintain their existing exemptions. I realize that a privilege once enjoyed is hard to forgo. One can accept their self-interest; but they must also admit the rights to measure their private and immediate gains against the longrun social advantage.

Some hon. Members: Hear, hear!

Mr. Kierans: They exist, not by some divine right but by the will of the people as represented by the members of this House, and I think their current intransigence and threats could easily lead to nationalization. If we were to eliminate all the concessions, depletion, accelerated depreciation, capital cost allowances exceeding actual funds invested by between 15 per cent and 33-1/3 per cent, and so on, the federal government could reduce the corporate tax rate to 35 per cent on all firms in all sectors of the economy without any loss of revenue. At the present time,

the outrageously low effective tax rates in the resource sector directs investment into those low employment sectors and discriminates against investment in the heavier employment manufacturing and service industries. A corporate tax rate that would affect equally all branches of economic activity would not distort the investment decision-making process to the extent that is achieved by our present system.

If the government should agree that a 35 per cent corporate tax rate without concessions, without exemptions and without special immunities would yield the same revenues, I see no reason why this rate cannot be confined to wholly-owned or controlled Canadian companies. Every nation favours its own citizens in one form or another. We have only to cite the most recent example, the United States with its investment allowance, its 10 per cent import surcharge and its DISC program. Those programs do not favour Canada by any means. So far as I know, they favour American firms. If we were intelligent and sovereign, we could devise tax rates that would favour our own Canadian firms in the very difficult situation in which they find themselves. Let the corporate tax rate on foreign subsidiaries be whatever that rate is in the home country of that subsidiary. If the rate is 52 per cent, as in the United States—and it is that high because of all their tremendous objectives, their military efforts and their flights to the moon—let the rate for American subsidiaries in Canada be 52 per cent.

If the rate is 40 per cent, as in the U.K., the rate for U.K. subsidiaries in Canada ought to be 40 per cent. In no instance, however, should we allow that rate to be less than the Canadian rate of 35 per cent. On the basis of their existing initiatives the Americans could only say that we are in accord with their policies because we would be avoiding encouraging new American subsidiaries to locate in this country and we would really be acting within the spirit of their DISC program.

Similarly, we could enlist the entire Canadian entrepreneurial community in trying to reverse and turn around the trend toward increasing foreign ownership. This cannot be done alone by a Canada Development Corporation, or by half a dozen such corporations. This would require the united effort of all elements in the Canadian business and financial community.

Mr. Benjamin: How would you get them to do that?

Mr. Kierans: It has not been my experience that the company with the 50 per cent tax rate drives out the Canadian company with the 35 per cent rate. Rather, the trend of the last few years would be turned the other way around. I should simply like to say—

Mr. Deputy Speaker: Order, please. I regret to interrupt the hon. member—

Some hon. Members: Continue.

Mr. Kierans: I would be only a few more minutes, Mr. Speaker.

Mr. Benjamin: Let us not see the clock.

Mr. Mahoney: On a point of order, Mr. Speaker, since as I understand the hon. member is about to conclude his