

To plug this loophole, the bill has been written so that in practice no owner of rental houses, no businessmen, no farmers, no fishermen and no professionals will be able to profit from this \$1,000. But all the loopholes have not been avoided since the largest businessmen will still benefit as most of them form companies which can deduct their interests on loans for income tax purposes. They, on the other hand, often declare only two income sources on their personal income tax returns: first, a salary from their company, second, an investment in Canada Savings Bonds, which entitles them to \$1,000 tax free interest.

Therefore, those who will suffer from this are the smallest businessmen: the farmers, the operators of small restaurants or small tobacco shops. For them it is not profitable to form a company.

I strongly recommend to the Minister of Finance (Mr. Turner) and to all members that the part which says that all expense interests must be deducted from income interests be completely removed from clause 70 of Bill C-49.

● (2030)

[English]

**Mr. David Orlikow (Winnipeg North):** Mr. Speaker, I listened to the speech made by the Minister of Finance (Mr. Turner) last week, in which he continued his performance of last November when he seemed to assume that this country could ignore the world situation, the very rapid increase in unemployment in almost every industrialized country, and inflation in Canada increasing at the same rate as in most other countries in the western world.

When the minister introduced his budget last November, he predicted—I am speaking from memory but I know that I am not far wrong—growth in the neighbourhood of 4 per cent to 5 per cent in real terms. If there is one thing which has become obvious it is that there is no way in which we will have that kind of growth rate in Canada. We are being adversely affected, as is every other country in the western world, not only by the very sharp increase which has occurred in the world price of oil, but by the real recession which is facing the United States at present.

Unemployment in the United States is now in the neighbourhood of over 7 per cent. Mr. Greenspan, President Ford's major economic adviser, has predicted that unemployment in the United States will rise to 8 per cent. Since government economic advisers in the United States have been as apt to underestimate the rate of unemployment as similar advisers have been in Canada, it is likely that unemployment in the United States will reach not the 8 per cent which Mr. Greenspan predicted but in fact in the neighbourhood of 9 per cent or more.

In Canada we are facing the same kind of problem, although a little less obviously. Unemployment in December, according to figures released by Statistics Canada reported on January 15, jumped to 6.1 per cent on a seasonally adjusted rate. That was the highest rate in almost two years. The unemployment situation, while

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spread out across the country, was the most serious in those parts of Canada which are traditionally plagued by unemployment and which can least afford it, namely, Quebec and the Maritime provinces. In Newfoundland, the rate went up to 16.4 per cent; in Quebec it was 8.1 per cent; and in Nova Scotia and New Brunswick it was also very high.

We have been reading a great deal about the serious situation in Europe, but none of the countries of western Europe have the kind of unemployment rate which Canada has. We read almost daily that in Great Britain everything will come to a halt, and yet the unemployment rate there is less than half the rate which exists in Canada. Nevertheless, the minister now proposes income tax measures which will not deal with the situation at all.

We are facing a rate of inflation in the neighbourhood of 12 per cent a year. That is a very serious matter for every Canadian citizen, but it is particularly serious for people in the lower income brackets because for them it is not only a serious matter or an inconvenience, it is an absolute disaster. When we talk about an increase in the cost of living of 12 per cent, we are talking about an increase in food costs of about 16 per cent, and an increase in the cost of housing of between 15 per cent and 20 per cent.

It is the people in the lower income brackets who spend a very large percentage of their total income—a much larger percentage of their total income than people in the middle and upper income brackets—on the basic necessities, on the essentials of food and shelter. So for them the increase is not just 12 per cent but is probably in the neighbourhood of 18 per cent to 20 per cent.

What is the minister proposing for those people? Virtually nothing. What has the minister proposed to do about unemployment? Almost nothing. The minister is counting, as Liberal governments have traditionally counted, on the private sector to pick up the slack. It is the private sector of our economy which has failed to pick up the slack and which has not provided the jobs. The resource industries have continuously ripped off the public by charging too high prices, and by making scandalous escalating profits, about which the minister has done nothing.

In fact what the minister proposes to do is to permit the resource corporations to make larger profits by reducing the taxes on the resource industry and by trying to force the provinces, which have moved into the field of taxing resource industries, to back away by threatening to tax resource corporations, something which no federal government has done effectively until the last year or so.

Although I could not agree with it, I could understand more concessions being given to the resource industries if they were doing poorly and if they were not making legitimate profits. But that is not the case. I have on my desk the *Financial Times* for January 27, 1975, which contains a profile showing the profits for the last five years, from 1968 to 1973, of 100 of the largest companies