

Income Tax Act

per cent, but to our astonishment we learned that their rate of unemployment is only 2 per cent. We could not understand how they maintain such a low rate of unemployment, but they told us they had a philosophy in Japan according to which if you want to eat you must work. We seem to have lost track of that here in Canada. The concept certainly seems to be paying off in Japan, and they do not seem to have that requirement for taxation. As I said, they raise about half the taxes we raise in proportion to our g.n.p.

There are people here in Canada who think that the high taxation from which we suffer is a good idea. Only last week, on May 23, the hon. member for Waterloo-Cambridge (Mr. Saltsman), speaking on behalf of the NDP, agreed wholeheartedly with the government that our high taxes are quite justified. He thought they should be encouraged and that we in the Conservative party were out of our minds to think that taxes should come down. The hon. member thought it good that they should be so high. This is hard to believe.

The idea of heavy taxation is not only this government's idea, I do not want to give credit to this government for being the source of this concept of high taxation. We have to go back to the time of Marx, Lenin and Engels when they wrote the communist manifesto. All three men argued very strongly that, if a government wanted to destroy private property and the private enterprise system, it would be necessary to tax it. That is what this government is doing. We have not been told by the government that it wants to destroy the private enterprise system, but it is embarked on that. Certainly I cannot accuse the government of being communist, but it is implementing the communist system as far as taxation is concerned. There is no more powerful a method for destroying the economy of a private enterprise system than a system of very high taxation.

● (2112)

What is the solution? The Carter commission was set up in 1966 by the present government to look at taxation and see if it could come up with a more rational approach to it. The commission had enough insight to recognize the fact that there are two basic concepts of taxation as it applies to the corporate sector. One approach is the benefits approach and the other approach is the ability to pay approach. It remains unexplained why our lifelong system in Canada has been to tax corporations and people on their ability to pay. Obviously that does not work. There are various examples to show that it has not worked. The mess we are in now is proof of its being an inefficient system.

There are people in Canada who realize that the system of taxation based on the ability to pay is a lot of nonsense, just does not work, and that there are systems which work better. The system which works better is the benefits approach. If one wants to look at it from the point of view of corporations, it can be called a tax based on net business costs. The person in Canada who has done the most to push and propagate this concept is Mr. John R. Ferguson of Ottawa. Unfortunately he has not been listened to by the present government. The

government does not seem to be interested in a more reasonable approach to taxation, which approach is available.

In the time remaining, it is difficult to go into a lot of detail explaining exactly what the benefits approach to taxation is as opposed to the ability to pay approach. In essence, if one wants a successful economy, profit and productivity must be encouraged. As soon as the approach to taxation is based on ability to pay, those two areas are being condemned. In the ability to pay system, the more one makes, the more tax he is required to pay. That discourages any kind of incentive, productivity and efficiency.

It has been well known that if something is not liked, it is taxed. The British found that if they wanted to tax chimneys, the result would be fewer chimneys. When they started to tax windows, people would start doing away with windows. Canadians cover up windows because if their windows are boarded up they pay less tax. In the last year or so, the government decided that it was necessary to conserve fuel and gasoline. By increasing the tax on gasoline, the government thought that would discourage its use. It is a well known fact that if the government wants to discourage something, it is taxed. We want to encourage efficiency, productivity and profits. Yet, the government turns around and taxes profits which discourages productivity and efficiency. It is hard to believe.

What are some of the differences between the ability to pay and the benefits approaches to taxation? Without going into great detail, I should like to mention the 11 different contrasts between these two types of taxation. These differences were enunciated by Mr. John Ferguson of Ottawa. I think they deserve a lot of consideration by the government, as well as all members of the House, if we want a real turnaround in our economy.

The first contrast is this: a tax on profit penalizes efficient companies and subsidizes marginal and inefficient companies. If the tax is based on net business costs, it will bear evenly on all businesses and thus would not penalize efficient nor subsidize inefficient companies, as does the current tax on profits.

A second harmful effect of the tax on business profits is: it results in many marginal expenditures being made for tax reasons rather than for sound business reasons. For instance, if a company decides that it has \$10,000 to spend on advertising, \$5,000 of it will be paid by the taxpayers of Canada because the companies are not required to pay any tax on that amount. It means Canadian taxpayers are subsidizing that inefficient component of the cost structure of that particular company. If the tax on net business costs system is implemented, the tax on costs would result in reducing or eliminating those expenditures, which are often made for tax reasons rather than for normal business reasons.

The third contrast is: it results in many businesses being tempted to inflate their non-cash charges in order to reduce their taxes. Of course, these are the harmful effects. A tax on net business costs would result in businesses being encouraged to reduce their costs in order to increase their profits and reduce their taxes.