

*The Budget—Mr. F. E. Leblanc*

The government's intervention remains at a high level to the extent that some measures which were to be temporary have assumed a permanent nature. On the other hand, and that is to the credit of our governments, the most recent interventions are part of a general plan.

Besides, private enterprise must be dynamic and give leadership, as it has always done since the beginning of our young country. Every businessman should not only take an interest in politics but also try to ascertain the needs, the objectives and the problems of his fellow citizens. Businessmen should not be reluctant to express their views about politics, and they should do it through the numerous bodies which serve them. Harsh or bitter criticism or words of praise should be expressed for the welfare of the whole population, particularly if the state or groups suggest measures detrimental to the competitive system.

Businessmen should keep on increasing productivity, and they must in return get a fair yield on their investments. I feel that the profit motive is of vital importance: it is precisely that motive which leads private individuals to produce in spite of the risks involved in the undertakings. Profit is the yardstick which determines the value and usefulness of our efforts. The word profit is not to be banished from our vocabulary. Did not Winston Churchill himself say that we should never complain about people who make profits but rather about people who suffer losses? The more industry will affirm its strength and its interest in the welfare of the people, the less need there will be for the government to restrict and control industry. Businessmen should realize that the more they insist on piling up new responsibilities on the state, the more the latter will be obliged to increase its authority. Private enterprise should have the foresight and the initiative to seize new opportunities as well as the vision to scrap obsolete methods which are no longer competitive. Free enterprise should wish to participate in the economic development of the country and, in return, profit by it—which, to my mind, is perfectly legitimate.

Now that I have tried to establish my own position on the relationship between the state and industry, I should like to deal with the recommendation of the Bélanger commission concerning the taxation system in Quebec to the effect that the government should tax capital gains. The Bélanger commission

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points out, and with good reason, that this tax should be applied in Canada as a whole, that is in all the provinces.

At the present time, in Canada and in Quebec, a citizen who has invested his savings in movables or immovables, the value of which goes up during a certain period, pays no tax on this increased value when he winds up his assets. The tax would bear on this capital increase.

It strikes me as illogical to propose such a tax, because Canada is not ready to accept that type of measure. It would be nonsensical to tax directly those who wish to invest in Canadian enterprise when our country is still in the first stages of its economic development. I fail to see how capital could be attracted if a tax were levied on capital gain.

A country cannot develop its natural resources without considerable outlays which, of necessity, entail great risks. As a consequence, the government must not tax the successful outcome of those risks; on the contrary, it should encourage investment of risk capital and broaden the Income Tax Act in this regard.

It must be remembered that Canada, especially at the present time, is short of investment capital and that such a measure could drive away the capital required to develop our resources. It is difficult to understand how levying a tax on capital gain could be accepted in a country in such great and pressing need of capital. If capital, Canadian or foreign, is to be restricted, if the amazing development of our economy is to be stopped or brought to a standstill, then let us tax capital gain. In other countries, that tax exists and can exist where the economy is sufficiently mature and productive to bear the burden of such a tax. But Canada is not ready to bear that burden so long as it cannot do without the massive importation of the foreign capital it needs to finance its expansion and to create new jobs.

On the contrary, capital gain should be encouraged and not penalized. In any event, that measure is absolutely inconsistent with the exemptions of 20 per cent and 9 per cent on dividends granted by Canada and Quebec respectively. If we seek to increase Canadian capital, it should not be taxed, because it will then become necessary to appeal further on to United States capital which would thus gain further control of our economy. Obviously, this country needs income to pursue its aims, but I feel this income should be sought in an area less damaging to industrial development.