

changes in our income tax level to ensure that this imbalance does not continue?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, this type of allegation has been made for a long time. There has always been a differentiation between Canadian and U.S. tax levels because the United States does not give its citizens the same quality of service as the Canadian government.

Some hon. Members: Oh, oh!

Mr. Stevens: Mr. Speaker, as the minister well knows, the Carter royal commission on taxation pointed out that such an imbalance would result in a brain-drain—as they termed it—to the United States, and that it should not be allowed to continue.

An hon. Member: You don't have to worry.

Some hon. Members: Oh, oh!

● (1417)

Mr. Stevens: I will wait, Mr. Speaker.

Mr. Speaker: Order, please. The hon. member for York-Simcoe.

Mr. Stevens: Thank you, Mr. Speaker. Would the Minister of Finance indicate if he is aware that the imbalance has reached such proportions that Ernst and Ernst, chartered accountants well known throughout the world, have put out a 146-page booklet describing how you can equalize your position between Canada and the United States in the event that you are an employee in Canada, and that there is a new booklet coming out which will describe why it is much more beneficial to be an employee in the United States than in Canada because of our added tax load?

Mr. Chrétien: Mr. Speaker, the United States does not have as many services; for example, they do not have medicare or hospitalization as we have here. I know of a Canadian citizen who was in Florida and had a heart attack: when he received his bill from the hospital there, he had another heart attack.

Mr. Stevens: Mr. Speaker, my supplementary to the Minister of Finance must begin with the preamble that the minister obviously has not read the material that I am putting forward, because all medical care plans have been exempted from the calculations.

My final question to the Minister of Finance is this: As a result of the higher tax load in Canada, would he indicate if this in part contributes to the higher wage structure which in turn has made us relatively non-competitive with other employees, especially those in the United States?

Mr. Chrétien: Mr. Speaker, I find it very unusual for the hon. member to rise today and speak about the non-competitive position of Canadian products, when in March it was indicated we achieved a record trade surplus of \$10 billion, annualized—and that means that we are very competitive.

Oral Questions

OUTFLOW OF CAPITAL TO U.S.

Mr. John C. Crosbie (St. John's West): Mr. Speaker, I am glad that the hon. minister mentioned medicare, because many Canadians are sick of his government's policies.

Supplementary to my colleague's question, is the minister aware that for the first time in 33 years the U.S. department of commerce figures show there is a net outflow of money from Canada to the U.S. of \$440 million? This is the first year in 33 years since statistics were kept that this has happened: there is this net outflow of capital from Canada to the U.S., and not the other way. The biggest year that we had a capital inflow from the U.S. was 1966—\$985 million.

Would the minister explain to the House why he feels the Americans have got cold feet with respect to Canada? What steps is he taking to reverse the outflow of investment moneys to the U.S.? Is the minister, in other words, concerned about this problem? What is he doing?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, I know some people in Canada are investing money in the United States. We have always had a large surplus in that area. For the last few months there has been some nervousness in the Canadian economy because of the decline of the Canadian dollar, and some people have tried to hedge their bets.

I would like to inform the hon. member for St. John's West that I was speaking to some people from Newfoundland the other day and they told me that the weaker Canadian dollar has been very good for the fisheries business in that province.

Mr. Crosbie: Mr. Speaker, with our nation in the economic situation it is, I wish the minister would be serious. In 1977, in terms of our economy with the U.S., \$440 million net left Canada. In 1976 it was \$102 million net that came to Canada from the U.S. The bureau of commerce for the U.S., their economic statistician down there, has given certain reasons for that and I want to know if the minister agrees. He said first that FIRA has dampened the enthusiasm of Americans for investing money in Canada.

Mr. Speaker: Order, please.

Mr. Crosbie: Does the minister—

Mr. Speaker: Order, please. The hon. member will realize he is seeking the minister's opinion as opposed to information. Perhaps he could put an informational question.

Mr. Crosbie: Mr. Speaker, in connection with this imbalance of investments between Canada and the U.S., does the minister agree that the reason this is happening is that our economy is growing so slowly that there is no point in their keeping money here? What steps is he taking to reverse this situation so that we will again encourage American investment here and Canadians will keep their money invested in Canada? What is he doing about this?