

*Income Tax Act*

not believe our economy was overheated. I could not quite correlate this with his demands for more reductions in public expenditure. If he believes the economy is not overheated, I am sure he would agree with the proposition I am putting to the minister and to the house: you put yourself in a position to inject more fuel into the economic boiler, to encourage and stimulate investment, to expand the money supply to finance increasing investment in the production of goods and services.

I doubt whether even the Minister of Finance, with his odd ideas, would contest that statement. This afternoon in the house he gave us a very strange and mysterious report which indicates that he still does not realize he is dealing with shadow and not with substance. He presented to us the results of agreements made with the governments of the United States, West Germany and Italy. It was a rather mysterious statement. The minister tells us that in Washington the Secretary of the Treasury and himself have been having consultations concerning the application to Canada of the United States balance of payments measures. The effect of this exchange, the minister assures us, is that Canada is now completely exempted from the operation of the United States balance of payments program affecting the outflows of capital from the United States. The minister said in his statement:

I refer specifically to the measures affecting direct investment that are administered by the department of commerce and to the programs administered by the federal reserve system. Our exemption from the interest equalization tax on new issues remains intact.

I emphasize these words:

Freedom from these major United States programs achieves a goal towards which we have been working for a long time.

This is really the pay-off.

Moreover, it does so without in any way impairing our independence of action.

Perhaps that is technically correct, because under the aegis of this government we have lost all our independence of action, so we can hardly be further impaired in this respect.

● (9:40 p.m.)

This seems to me another case of the obsession this government has with the necessity for a continual inflow of capital from outside to finance the expansion of the Canadian economy. I submit to you, Mr. Chairman, and suggest to the Minister of Finance, that the

[Mr. Cameron (Nanaimo-Cowichan-The Islands).]

great victory he has achieved in Washington is in essence no victory at all, because the report of the Bank of Canada on the Canadian balance of international payments, which shows the capital movements in the first three quarters of 1967, indicates that there is literally no measurable or important inflow of funds from the United States that is not balanced by an outflow. To this area of our problem the minister turns a blind eye. Apparently he considers, as I told him once before, that he has done his duty if he pleads with the United States authorities to keep the tap turned on, while at the same time he leaves the plug out of the bath at the other end. This is another sample of that type of action.

The minister has come back from Washington and told us he has scored a great victory, he has cleared a way for massive inflows of capital to Canada. The truth is that there are massive outflows of capital from Canada at the present time, and they have been going on long before the guide lines were established by the United States President. I am sure the Minister of Finance is aware of the fact that indeed many corporations were transferring more of their retained earnings than the guide lines called for. Why are they doing it? I suggest they are not doing it out of their patriotic duty as American citizens, because I have not noticed that American capitalists, any more than Canadian capitalists, are particularly prone to have their actions dictated by patriotism. I suggest they have decided that Canada is no longer a very important or desirable field for investment. Indeed we can understand why, because the bulk of this inflow of capital has gone into the resource industries, which are so plugged with overinvestment that there is little field for further expansion.

I have only to mention the oil industry in Alberta and the pulp and paper industry in my own province, both of which suffer, not from underinvestment but from overinvestment, with the result that their costs are unnecessarily high. However, it is part of the conventional wisdom of this government that Canada can only survive and expand if we have a continuing inflow of capital from abroad, and largely from the United States. So long as we have that obsession, and the further obsession that all the policies of the Canadian government must be directed to maintaining the pegged rate of the Canadian