

Adjournment Debate

average \$60,000 capital investment is required to create one permanent job, more than 17,000 potential jobs have not been created because of this outflow.

The net outflow of capital has been growing in recent years. In 1976, even though foreign economies were plagued by stagnation, Canadians invested \$555 million abroad. And, for the first time in at least 25 years, 1976 was the first year in which foreigners actually reduced the value of their holdings in Canada—by \$395 million. Figures for the first quarter of 1977 show that the net outflow is continuing: \$35 million in the first quarter, an annual rate of \$140 million.

Statistics Canada, which is the Canadian government's statistical agency, reports, that Canadian long term investment in the United States increased by more than 66 per cent between 1969 and 1974, from \$5,564 millions outstanding at the end of 1969 to \$8,376 millions outstanding at the end of 1974.

The Statistics Canada figures show total Canadian direct investment in the U.S. in 1974 was \$4,900 millions, up from \$2,079 millions in 1969; portfolio investment \$2,967 millions, up from \$2,309 millions, and miscellaneous investment \$500 millions, up from \$216 millions.

These totals, of course, are far below total United States long term investment in Canada, which amounted to \$46,675 millions in 1974, up from \$33,045 millions in 1969.

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With both inflation and unemployment running at disturbingly high levels in Canada, the opposition parties and labour organizations are all concerned about the outflow of capital which, if put to work in Canada, would provide more jobs, and in theory would counterprice inflation by encouraging price competition to sell more goods available. The federal budget presented to parliament on March 31 contained a good many tax relief items aimed at encouraging more investment in Canada and more jobs. The results have been disappointing. A fortnight ago a cabinet minister, the President of the Treasury Board (Mr. Andras), was almost shrill in a speech imploring businessmen to invest their capital in expanding operations and jobs in Canada.

In Florida, where Canadian tourists spend an estimated \$500 million a year, Canadians are increasing their investments, not only in retirement condominiums, but in business ventures of many kinds—real estate, manufacturing, banks, etc. Florida economic development officials report more Canadian investment inquiries in the last five months than in the previous 14 months, mainly from small and medium-sized Canadian firms in many industrial sectors. Canada's Royal Trust Company recently bought the American Bank of Orange County in Orlando for \$2.3 million.

The Acting Speaker (Mr. Ethier): Order, please. I regret to interrupt the hon. member but his allotted time has expired.

Mr. Bob Kaplan (Parliamentary Secretary to Minister of Finance): Mr. Speaker, I think the hon. member for Winnipeg South Centre (Mr. McKenzie) has been unfair because for

[Mr. McKenzie.]

several minutes he has been laying on the table hundreds of statistics on which I will not comment now. I do not accept them as being valid. I should like to take the time I have to deal with Mr. Fitzgerald's submission, which I understood was to be the content of his interjection. I should like to say that the Minister of Finance (Mr. Macdonald) and myself are very grateful to the many hundreds of individual Canadians, among them Mr. Fitzgerald, and to the groups and firms who took the time and effort to respond to our request for views on "The Way Ahead".

Mr. Fitzgerald's submission put forward, in a rather general way, some criticisms of what he regards as conventional economics and mentions certain new concepts which he feels would lead to an improved understanding of economic processes and problems. The alternative theory which he has offered is not very clear, but a more general point is that governments do not usually act on the basis of general critiques of economic theory or of new general theories received in the mail or in submissions. The real testing grounds for such critiques and theories are public debate and professional analysis. I wish Mr. Fitzgerald well, but I doubt that the chances are very high that future finance ministers will be forced by the tide of public and professional opinion to formulate economic policy on the basis of his new theories.

The hon. member for Winnipeg South Centre alluded to certain specific proposals concerning tax bonds and reductions in the taxation on housing included in Mr. Fitzgerald's submission. Because of the time factor, I should like to refer to one of his proposals. According to the tax bond proposal, corporations would be given the option of subscribing to long term government bonds bearing an interest rate lower than current market rates in place of paying some fraction of their taxes. This proposal is put forward as a means of relieving pressure on firms to increase prices, and as a means of raising capital for government investment projects. Given that the bond issues are to replace receipts of tax revenues, it is hard to see how the measure increases the financial resources available to government for capital spending.

The measure would amount to a reduction in the effective rate of corporation taxation with the revenue loss financed by increased borrowing. The extent of the effective tax rate reduction would depend on the extent to which the interest rates on the bonds were below current market levels.

The Acting Speaker (Mr. Ethier): I regret to interrupt the hon. member, but his allotted time has expired.

VETERANS AFFAIRS—DATE OF ESTABLISHMENT OF LOCAL OFFICE IN BRANDON

Hon. W. G. Dinsdale (Brandon-Souris): Mr. Speaker, the question I should like to raise tonight has been under discussion for almost two years now. It is a very important issue concerning the Department of Veterans Affairs. It will decentralize its service facilities and establish a network, in places like the good city of Thunder Bay, Ontario, and the great city of Brandon, Manitoba, of storefront operations manned by