

Taxation Reform

gift taxes adopted by the Ottawa government a year ago, will negate their efforts.

Canadians will soon come to the conclusion that their efforts to save and accumulate an estate are pointless, because the head of each family after providing for his wife is bound eventually to say to himself "What's the use? If I leave money to my daughters and sons, the Ottawa government takes half—to say nothing of the additional heavy provincial succession duties in, for example, Ontario and Quebec."

It is a short step from there to say to himself, "I might as well spend what I have because, in effect, Ottawa pays half through the estate tax it doesn't get."

Saving has been defined as deferred consumption, perhaps long deferred within one generation and longer deferred when left to the next. The taxation measures proposed in the white paper obviously will diminish saving and put almost a compulsion on spending and immediate consumption.

It is obvious that in order to discourage prices from rising there must be incentives to save rather than to spend. The white paper scheme is in direct opposition to all the recent fiscal and monetary measures designed to discourage the sharply rising prices of the past several years.

In this sense, it seems to be that many of the recommendations in the white paper encourage inflation instead of seeking to control it. Mr. McKinnon continued:

The authors of the white paper seem to have overlooked that new investment capital is fluid and is extremely sensitive to the environment provided by the host country. Raw materials are being found in all parts of the world, and capital will go to the most attractive environment.

The principal reason Canada has been an attractive place to invest has been its system of taxation which, though far from perfect, has created the incentives and the consistencies of treatment to induce both domestic and external capital to invest in this country.

● (3:00 p.m.)

Unquestionably, there will be profound changes in the attitude of foreign capital to investment in Canada as a result not only of the immediate taxation measures proposed in the white paper but in their longer range implications for the development of the economy and the capacity to service foreign investment.

If the white paper is accepted it will convert the savers of the nation into spenders, and consumption will increase over the years.

Under these circumstances, interest rates will not fall but will likely continue to rise to levels much higher than they would otherwise be.

Failure to increase production and exports, combined with the emphasis on domestic consumption instead of on saving, will have an adverse effect on the Canadian balance of payments and on Canada's ability to service foreign investment. Over a period of time, this could lead to a further devaluation of the Canadian dollar.

Another point which Mr. McKinnon makes, and which I think is very well taken, is this:

These conditions will encourage an exodus of the better educated, more able and more mobile young Canadians to other countries with greater promise for them. As the vitality of the nation in every field of endeavour depends on the quality of the people within it, there could develop a debility of the entire economy.

This is why I am convinced that while many of the recommendations in the white paper will stimulate discussion, they have not really been thought through when it comes to meeting basic needs in Canada today. I am sure that similar criticism will be expressed before the standing committee which considers the white paper.

The committee is being given the very important responsibility of making recommendations to the government on future policy and legislation dealing with tax reform. We can only hope that the government will pay more attention to the recommendations that will come from the committee than it has to some of the recommendations made by other committees during the last month. In this respect the defence committee is an outstanding example. It seems to me that although the committee did good work and its reports reflected the overwhelming opinion of its members, the government nevertheless saw fit to ignore its recommendations.

The last point I want to make is this. It is, of course, impossible in the space of a few minutes to cover all the aspects of the white paper, nor do I intend to try. I would like to refer to the effect the white paper will have on small businesses. The white paper will not only affect adversely small businesses, but it will have a very discriminatory effect on some of our vital, bigger businesses. For example, is it fair to tax the Ford Motor Company of Canada, which is a widely-held Canadian corporation, but not General Motors of Canada, which is a closely-held Canadian corporation? Many aspects of the white paper relate to both small and big businesses, and in my opinion some of the proposals have not been thought through sufficiently. Certainly I do not think they meet our taxation requirements.

Mr. J. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, it is always a pleasure to follow the hon. member for Red Deer (Mr. Thompson). During the course of his remarks I found myself in agreement with him on the question of taxing the poor of Canada. He