

*Income Tax Act*

increased 140 times while those of the caisses populaires increased only 3 times.

This is very important. It shows that our Caisses Populaires have not made as much money because they do not have the same organization. They do not enjoy the same advantages as the chartered banks do. Caisses Populaires shares are worth about \$5, yield 6 per cent interest per year and retain their nominal value. Chartered banks shares are all worth \$2, but they yield dividends of about 70 per cent a year while they are worth between \$14 and \$28 each on the Montreal, Toronto or Vancouver stock exchanges.

Therefore, we can see the difference that exists between Caisses Populaires and banks, between co-operatives and capitalist corporations. Should they be treated in the same manner for income tax purposes? We have noticed that banks are making greater and quicker progress as far as their total assets are concerned since the last review in 1967 of the Bank Act, following the Porter inquiry. Their assets now come close to \$52 billion, which is an increase of some \$10 billion over the past two years.

• (2:10 p.m.)

In one year only, bank assets increased by over \$5 billion and that one annual increase absorbs at one fell swoop the whole \$4 billion accumulated since 1900 by Caisses populaires and credit unions.

Even though Canada admittedly is a country which belongs in the capitalistic group, its duty is to protect the orthodox banking system. These few notes and remarks clearly show that the progress of caisses populaires does not and should not raise any fears among the defenders and protectors of the Canadian banking system. If we recognize that banks and caisses play a necessary and complementary role for the people of our prosperous country who benefit from both systems, it is up to us, as members of the House and ministers, to see that the caisses populaires are allowed to continue to play their meaningful role with the support of the federal government.

Since we have realized the difference between large and small financial interests, I think that it would be advisable for us to stop one moment before concluding too quickly the consideration of Bill C-259. It is necessary to examine the general situation of our Canadian economy which has widened since the last war the gap between the rich who become richer and the poor who become poorer.

If we are all conscious of the great lack of economic balance which prevails in Canada on account of inflation, unemployment, poverty, insecurity, continuing increases in taxation, debts and interests on capital borrowed to finance provincial governments, municipalities, Hydro-Quebec, Ontario-Hydro, or other Crown corporations, why not solve the tax problem by a complete restoration of the economic balance between all the constituent elements of our national heritage, between all capitalistic and co-operative institutions, between the industrial and commercial institutions of free enterprise and small industries, small businesses and small enterprise?

Every member knows that tax reform alone will not solve all the problems nor get our economy out of its present confused state. The more the government's reve-

nues increase, the more the government's budget grows and the more the taxpayer's budget decreases. Therefore the result of the government's budget is to diminish that of the small taxpayers. Many of them have no more money; they depend on social welfare. This is the same as robbing Peter to pay Paul.

There is no practical solution to it. Overall taxation reforms like those before us now will not solve the problem. In order to solve it and give our economy a new logical and proper balance, we should reduce taxes, lighten the taxpayer's burden so as to give him more power through caisses populaires and those institutions serving the people.

I have shown that caisses populaires do not make any profit, but the banks do: 46.6 times more.

Mr. Chairman, it is therefore logical in these circumstances that our leaders step in and that all hon. members speak out. When public institutions have to be protected, nothing is neglected. Institutions such as our caisses populaires deserve our protection and all possible measures likely to help them, since they serve the poor people, the middle class, those unable to obtain chartered bank loans.

Mr. Chairman, the caisses populaires were created because the larger institutions would not serve ordinary people. Such people were refused the services they needed and the caisses populaires intervened to provide those services to them.

• (2:20 p.m.)

[English]

**Mr. Nowlan:** Mr. Chairman, without discussing in specific ways apples or plums today, this section of the income tax bill deals with co-operatives and provides some of the lemons the Minister of Finance is going to offer the whole co-operative movement if the sections of this bill pass unamended. Since we are talking about different varieties of fruit—co-operatives in my area of Nova Scotia have a lot to do with fruit—we have the opportunity to speak on the question of co-operatives.

I am not going to discuss in very much detail the problems of credit unions; other members have done this. Some of the amendments the minister has brought forward have softened the impact of the proposals affecting credit unions. The minister is also to be given some credit for having brought forward further amendments to soften even more the impact of the proposals relating to co-operatives. But the first amendments still do not come to grips with the basic problem these proposals create.

In the area of Nova Scotia where I come from co-operatives have contributed in a most constructive way to the life of the community, and it is all too easy to appreciate the concern of those directly engaged in the co-operative movement and those vicariously involved in or with co-operatives at the problems that may be created by these proposals. Many members in this chamber during the committee hearings these last days, when we have been talking about co-operatives have philosophized about the basis of the co-operative movement. Some have said it is a step on the road to socialism. Others have said it is like a business and should be taxed as such. That is what the minister's proposals are doing; co-operatives are being treated as a corporate entity.