

Employment Programs

itself, so this tax rate will cause them to hesitate. If they decide they will not go into business for themselves, there is nothing we can do about it. They just will not start new businesses. That has happened today in a very large number of cases. It was with these considerations in mind that this 21 per cent tax rate was first introduced. It was realized that if owners of new businesses could keep 79 cents of every dollar, up to the first \$35,000, they would have a good chance to accumulate capital, to expand that business, to make good profits and to make a good livelihood. Therefore, this slowdown in the creation of new businesses is very serious. That slowdown has produced a slowdown in the creation of new job opportunities, which is very serious indeed.

The second item that the Minister of Finance is proposing in the white paper which is causing a great deal of alarm is the proposal to tax unrealized capital gains. That proposal, Mr. Speaker, is so unworkable, so unrealistic and so unfair that it hardly deserves to be considered in a serious place like this chamber. Consider this: the Minister of Finance has told the people of Canada that he will name "V Day", which is Valuation Day. Then, on that mysterious day, everyone in the country, whether he be a businessman, farmer, store-keeper or anyone else, will be investigated by a great army of valuers. Where they are all to come from I do not know. This will be a mysterious procedure. Everything we own will be valued. Then, five years later this army of locusts will descend on us again and look over everything we own. Then, they will sit down and say, "Your holdings are worth so much now; they were worth so much less five years ago. You owe the government some money as a result of the increased value of your holdings." Of course, those gains may not have been realized; the people who are to be charged for those gains will have nothing with which to pay those taxes, and so I say that that proposal is completely unworkable, unrealistic and unfair.

Some hon. Members: Hear, hear.

Mr. Hees: This kind of thing has caused people generally, and people in the business community particularly, to lose confidence every day in the Prime Minister, the Minister of Finance and in all those around them as men of business sense and practical, economic knowledge. This is a very real reason for losing confidence.

In order to restore confidence, the Minister of Finance should announce that he intends not to introduce these two proposals either now or in the future. This would be of great help in restoring the confidence of the business community. However, Mr. Speaker, that is not the government's plan. The government's plan is quite different. The government plans to make this coming budget of June 18 an election budget.

Some hon. Members: Hear, hear.

Some hon. Members: Oh, oh.

Mr. Hees: You watch it, Mr. Speaker. When it comes down on that night, only attractive items will be included

[Mr. Hees.]

in the budget and all the unattractive things will very conveniently be left out until a later date. I will have something to say about that later date in a moment. You will see in that budget tax improvements for the people who earn up to \$9,000 a year. In order to pay for those tax improvements, the minister will introduce a capital gains tax on realized capital gains. That has been expected for quite some time. But there will be no mention of any tax increase for people in the middle income brackets. There will be no mention of replacing the 21 per cent tax on the first \$35,000 of profits with the 50 per cent flat levy. There will be no mention at that time of the proposal to tax unrealized capital gains.

Why is that, Mr. Speaker? I say that the government's plan is simply and strictly a political plan. They have no reason to believe from what their economists have told them—and I know this to be a fact—that next winter is to be any better from the point of view of employment or inflation than was last winter. Probably it will be worse. They have no intention of going through another winter such as the last one and endure the battering they got from the opposition and citizens of Canada, and hold an election next spring.

Here is what they are going to do. During the summer they will have this high priced group of public relations people that has been mentioned this afternoon going around the country and building up the government in every way they can. During the summer the weather is warm; people take holidays; jobs are always more plentiful. Everyone feels better at the end of the summer. At the end of the summer, around about September 1, this government, on some pretext such as that the opposition is holding them up or they want to get some kind of assurance from the people of Canada that the people are in favour of constitutional change, and so on, will call an election. The Prime Minister will certainly find an excuse and he will call an election.

He intends to call an election about September 1, or at any time before the end of October, before the next bad winter sets in. Then the plan is, and this is a fact, for the Minister of Finance to bring in the tax increases for people in the middle income brackets. The 21 per cent tax will go out and the 50 per cent levy will be adopted. The tax on unrealized capital gains will be introduced. The people of Canada will get this entire package after the election, which the government hopes to win. God help us if they ever do. I am convinced that they will not, but if they ever do, this is what they intend. This is the government's plan. There is no question about that.

• (5:00 p.m.)

This budget will be what might be called a window-shade budget. The government intends to pull up the shade for a few months this summer, let in a little sunshine, have everybody happy and, after the election, if by some mischance the government should win, that shade will again be pulled down and the people of Canada will find themselves in the same financial and economic darkness as they are in today.