cent in 1972 to 46 per cent in 1976, and the reduction of federal tax on lower incomes from 17 per cent on the first $500 to 6 per cent by 1976. But this is not necessarily reform and is not the whole part of it. What is recognized here is that more buoyant tax revenues from personal and corporate income taxes in an expanding economy should lead to a reduction in tax rates and not necessarily increased federal expenditures. As Professor Daly has shown, Canada's gross national product in the 1953 to 1968 period grew at an average annual rate, compounded, of 7.2 per cent, while personal income taxes increased at a 10.4 per cent rate, compounded. Thus, the rate of growth of personal income taxes far exceeded the rate of the gross national product.

In July, 1971, my colleague, the President of the Treasury Board (Mr. Drury), issued a statement of the financial operations for the country for the first four months of the current year. On page 16 of that statement, table III, one sees that in 1961-62 35 per cent of all federal government tax revenues came from the taxes on individuals. One also sees that in this last current year not 35 per cent of government taxes came from people, but 41.4 per cent. One sees at the same time, Mr. Speaker, that the government collected 23½ per cent of all of its tax revenues from corporations in 1961-62, but today it only collects 19½ per cent of its tax revenues from corporations. So the impact on persons has been gradually increasing during the last decade.

These reductions today, while welcome for the lower income groups, do not in fact ease the load on those with medium salary and wage income. And I would point out the following fact, that in the last ten years, with an increasing rate of tax revenues coming from the individual, from wages and salaries, and a declining percentage coming from the corporate sector, it is very little wonder that today our young people find it difficult to get into business for themselves, on two grounds, that governments now take more from personal income, which makes it that much more difficult to save, and on the other ground that they take very much less proportionately from businesses which are thus much more able to defend themselves from people who might want to enter particular industries.

Fairness in taxation, as it was conceived by the Carter commission, demands that persons with equal amounts of income pay equivalent amounts of tax and that persons with larger or smaller incomes pay proportionately different rates of tax. This principle was enunciated clearly in their report, but this principle no longer obtains. Income is still divided into two classes, income from labour and from enterprise and from effort, and income from rolling over wealth, that is, capital gains. And whatever the rate that applies to workers on wages and salaries, the gains on wealth are going to be taxed at exactly half that rate. Persons in similar circumstances are not treated in the same manner.

Also, Mr. Speaker, I would like to insist that the argument that people would not invest because of a capital gains tax has been disproved over and over again. There is no reason to accept this kind of threat, because they have no choice. If they do not invest for gain, for income or for dividends, then they will have to live off and eat off their own capital, which is far worse.

A second measure here is in the "Summary of 1971 Tax Reform Legislation," where the Minister of Finance introduces for the first time a new exemption for corporations. Corporations will be allowed full deduction of interest if they borrow money to buy shares in other corporations. The primary effect of this clause will be to create conglomerates, firms whose only objectives are growth, growth of assets, growth of revenues and growth of net income. But growth and accumulation are wealth, and wealth is that part of annual income which is not taxed, which is not distributed. To favour wealth and accumulation is to favour size and the concentration of power, and this is neither fairness nor justice. This is the opposite of the main objective of the Carter commission, to make corporations more responsible to people, to shareholders and consumers alike.

How is this going to work? Take the example of major corporations. Imperial Oil had a net income in 1970 of $105 million, Union Carbide had $11 million, Noranda, a Canadian company, had $58 million, and Distillers Corporation, also a Canadian company, had $60 million. On the basis of this new act, Imperial Oil is making as a net income of $105 million on oil and gas and its various subsidiary activities, and it could borrow and reduce the tax burden on that net income something in the order of $500 million. And with $500 million they can buy out MacMillan Bloedel, Domtar, CPR, F.P. Publications and still have a lot of it left over.

This adds to concentration, and one of the curious things about this is that the investment they make in the companies that they buy out, or whose shares they buy, is non-taxable in their hands, but the costs, the interest on making that investment is deductible as a cost from whatever their current operation is. I do not think we have any objection to paying the real costs of gas and oil in this country. But I think we have reason to object when part of the costs that are deducted by the oil company, the distilling company or whatever it may be, is used to buy out other companies in the pulp and paper industry or whatever it may be.

Similarly, Mr. Speaker, I do not think that businessmen are too happy about this. When speaking recently to the president of a very large corporation who thought this was a good section in the act, I pointed out to him, "You are thinking of buying out so and so," and he said, "Yes." I asked, "Have you thought that so and so can also buy you out?" It just leads to more concentration in the Canadian economy at a time when the country itself is looking for more competition.

• (9:40 p.m.)

One could be surprised that we have a bill before this House, Mr. Speaker, which seeks to improve competition, to protect the consumer, to reduce mergers, and at the same time we have a section in the tax reform bill that serves only to force that concentration, and increasing mergers that will be inevitable as a result of this section. I think that the officials of the Department of Consumer and Corporate Affairs and the officials of the Department of Finance might well get together to find out in which direction they are going, or if they are meeting each other in crossing.

Some hon. Members: Hear, hear!