

Income Tax

ways the policies of discouraging foreign investment, and then on the other hand encouraging borrowing abroad with interest and capital payments, are not the best. I feel the foreign investment review thrust has been basically detrimental to our Canadian economy, unless we wish it to run at a much lower level.

As business activity decreases, heavier loads are placed on provincial governments to carry the same and even greater social welfare benefits. Today's *Globe and Mail* carried a headline to the effect that an Ontario hospital association director warned that the province's will have to discharge 4,000 staff members and charge an extra \$5 a day because of provincial budget cuts. This is an indication of things to come. It states that Ontario's hospitals are scheduled to receive an increase of only 4 per cent, which is not nearly enough to meet the 8 per cent inflation rate and to keep them at the present level of operation.

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Certainly very serious troubles lie ahead of us. But we are not quite alone and it is comforting to know that other countries face this problem. The *Ottawa Journal* of today carried an article taken from the London *Economist* on whether or not growth can continue without inflation. It is interesting that in the United States, which has a much better record than we have, inflation has been hovering around 6 per cent since 1975, a much lower rate of inflation than ours, but the projections are that this inflation rate will continue in the United States. It is obvious to me from discussions that we accept that there should be a lower rate of inflation, but this may well mean a loss of jobs and a loss in output. On the other hand, if we continue to expand our money supply to equal the inflation rate, disaster will occur.

All the western countries appear to be facing Hobson's choice. West Germany is keeping unemployment high but its growth is historically low. Even so, its unemployment rate seems to me considerably lower than ours. How do we reduce inflation without creating a slump in the economy? There seems to be some hope in tax incentive schemes linked to the performance of individual companies, or perhaps more important, a moratorium on cost-increasing legislation. Canadians have had more than their share of vast social programs and we should be wary of expanding them further. Surely we should not have social programs which stunt individual incentive and limit rewards. We must carefully assess whether or not our vast social programs dissuade individuals from saving. At present the only way in which an individual can cope with inflation is to spend as much as possible. In other words, ownership of things is certainly better than ownership of paper savings, such as stocks, bonds and bank accounts.

I believe that this mini-budget, or whatever else you want to call it, is only significant because it has been brought down at this time. I think that the minister has understated the gravity of our economic situation and that only the future will tell us how we have coped in this situation.

[Mr. Ritchie.]

Mr. Stan Schellenberger (Wetaskiwin): Mr. Speaker, Wetaskiwin is hard to pronounce, and I forgive you for mispronouncing it because members of my own party have had the same difficulty from time to time. I said I would point that out to get back at a member who mispronounced the name of my riding on a platform some time ago.

I consider Bill C-11 to be a very important piece of legislation in that it deals with income tax. The tax part of the legislation is important in that tax policy will determine whether or not our country will move ahead. Goodness knows, at this time we need the kind of guidance that will result in our economy moving ahead. The taxation tool must be used with discretion because, just as positive and progressive taxation measures can result in a vital and growth oriented economy, an ill-advised tax policy can contribute to a sluggish growth in the economy and high unemployment rates. Thus, these proposed amendments to the Income Tax Act must be carefully considered and their implications fully understood before final approval is granted to Bill C-11.

I would like to say at the outset that I find a number of proposals in this bill to be constructive. Measures pertaining to the taxation of the resource industries are proposals that we have been advocating for some time. I have listened to many members speak about the necessity of discovering more energy resources in our country and developing them. Just now we listened to the hon. member for Cape Breton-East Richmond (Mr. Hogan) say that we should encourage the development of the coal industry in Cape Breton as well as in Alberta and British Columbia. We welcome proposals that will help the oil industry in western Canada in particular look for pools of oil which we know exist in our province, and we need to encourage people to go out and look for them. Perhaps we are learning now the importance of making risk capital available to our small industries for oil discovery because anyone who is associated with the oil industry knows that every time you drill a hole in the ground oil does not come gushing to the surface.

I am also happy to see the measure dealing with the deferral of the capital gains tax, particularly for farmers. I represent a farming area and I know that the farmers in my riding will be looking at this proposal with favour. I am referring to the proposal of the former minister of finance, followed by the present minister, to defer the capital gains tax on the sale of a business or a farm when that amount of money is used to buy another similar business, another farm, equipment or buildings necessary to expand the farm or business. This measure has been advocated for years by the P.C. party. In fact in the last session I moved a private member's motion which advocated exactly the same kind of deferral of capital gains tax on money obtained from the sale of a farm when those proceeds are used to buy another farm or farm equipment.

The government has finally recognized the fact that in many instances a farmer may want to increase the size of his operation but in his area it might be impossible to find more land and therefore he must sell out entirely and buy a piece of property in another area. In the past his options were limited because, in order to do that, he had to sell his property and pay