

industrial productivity, and economic stability and growth.

After spending almost three years and \$3.5 million on that study, Mr. Carter reported in 1965, and I should like to summarize some of his main findings. Mr. Carter found, first, that the present taxation system does not afford fair taxation for all Canadians; second, that the present tax structure has led to Canadians being less well off through lack of goods and services that could be provided through more efficient use of labour, capital and natural resources; third, that compliance and collection costs have been needlessly raised by duplication in provincial and federal administrations and that federal tax administration is open to political influence; fourth, that the fiscal situation has not been used as effectively as it could be to maintain full employment, contain inflation and encourage Canadian ownership of Canadian industries; and fifth, that Canadian federal procedures to obtain and analyse new ideas about tax increases or for hearing the views of taxpayers are inadequate.

He summed up his report by saying that the commissioners were fully aware that their conclusions constituted severe criticisms of the present tax system, that they were not arrived at lightly nor the result of preconceived opinions. Whenever conflicts arose in their proposals they were reconciled in favour of equity. They were convinced that preserving and developing the system by scrupulously fair taxes must override all other objectives. In that report, not only was that recommendation made, but he categorized some of the special privileges which are afforded to the resource industries in our country, the insurance and finance companies, land speculators, and the free-loaders who play the stock market.

What did Mr. Carter recommend as a result of his exhaustive study? He said that two basic principles should operate in our tax structure. One is that there should be a fair distribution of the tax burden based on ability to pay and, secondly, that all income should be taxable. When he said that income should be taxable, he had in mind the income derived from stock options, gifts, income of all kinds whether it be strike pay, unemployment insurance, compensation, sickness and group life insurance, tax credits and consumer dividends, tax free allowances, profit sharing, gambling gains, bonuses, premiums paid by employers for employees under medical insurance schemes, non-cash benefits provided by employers and death benefits, because in the past these areas of income have avoided the full tax power.

• (2:10 p.m.)

He suggested, too, that there should be a redistribution of the tax burden so that wealthy individuals and companies would pay their fair share and that this would result in \$523 million more in corporation taxes to the federal government in one year, \$271 of which would come from foreign investors. He also recommended there should be generous tax credits for post secondary education; that there should be capital gains appended to income and property with an exemption of \$25,000 in respect to an owner's home which was occupied; that there should be top limits on travelling and entertaining expenses; that there should be tax credits for children which would be substituted for present tax exemptions; that there should

be—and this is very important—an integration of personal income taxes; that the efficiency concessions for industry should be abolished and that mining companies should only claim for exploration development concessions at accelerated rates.

This was a bold, courageous document set forth by a man who had given his life to the study of the tax structure in Canada. What did we find as a result of the Carter Report? We found an effective campaign against the report. There are some people who today still call Mr. Carter a socialist. This is far from the truth. We have some people who claim that the development of this country would be inhibited by the implementation of the Carter report and that personal initiative would be restricted. That criticism comes from less than 5 per cent of the communities. From the time I came down here in 1965 we were deluged with reports, not from ordinary folk but from the main sector of the business community concerning the disastrous effects which might occur if the Carter recommendations were put into effect. The Liberal party, having a close ear to the public and a far closer ear to the business community, set out to castrate the Carter Commission recommendations. They brought forth what is known as a white paper for purposes of discussion and played with that for some time before they came forth with a budget and tax changes in June of this year.

I recall quite clearly the month of June when the present Minister of Finance (Mr. Benson) brought in his budget. I recall the reaction of the Liberal members. They were just as cocky as peacocks and quite boastfully said that they were prepared to fight an election at any time on these proposals. The Minister of Finance, in his Buddha-like performance, expanded himself and said that this is an expansionary budget which will create growth and full employment. That was in the month of June. Now, in the month of September we find a different picture. We find that the picture is somewhat shaded. We find that the cockiness is replaced by cautiousness and quietness. We find the smile off the face of the Minister of Industry, Trade and Commerce (Mr. Pepin) as a result of the surtax imposed by his so-called friend, President Nixon, to the south. Everybody here remembers the Minister of Industry, Trade and Commerce, as being a strong integrationist, feeling that it was necessary to integrate the industry of Canada with that of our neighbour to the south. He rather smiled and gloated at the apparent success which was being achieved, but when the great master to the south came down with his heavy hand it made the minister realize just what a friend we had in time of need.

After going down to Washington with cap in hand and on bended knee—

Mr. Pepin: I never wear a cap.

Mr. Gilbert: —he now realizes the disastrous mistake he made in making Canada dependent on the United States in respect of exports. I recall the hon. member for Waterloo (Mr. Saltsman) exhorting him on many occasions about the necessity to diversify and scatter our export programs so that we would not be caught in this terrible position. When the Minister of Industry, Trade and Commerce heard the report in respect of unemployment yesterday, and the rise in inflation, he must have realized that he and some of the other integrationists on that front