

—on a small business because retained earnings are often its principal source of capital. Finally, the complexity of the tax system creates a compliance cost that the small business is least able to afford.

I do not suggest that I agree with everything in that report, but there are comments on taxation as it exists today which are indeed very apropos.

Let me quote from a speech made only two or three days ago by the hon. member for Vancouver Quadra (Mr. Clarke). His remarks are recorded at page 5807 of *Hansard*.

—I am a chartered accountant who understands, probably better than most in the House who are not chartered accountants, some of the complications in the income tax and accounting laws and I have an idea of the huge costs involved in the legal advice needed in dealing with the income tax laws.

The hon. member for Vancouver Quadra was suggesting that we have indeed a very complicated tax system which is causing everybody difficulty. He was implying, I am sure, that there need to be some changes in that.

Finally, in support of my argument that we have a very unwieldy tax system I want to quote two very short quotations from a Mr. Peter Drucker. I understand that Mr. Drucker is a world renowned expert in management consulting, and he writes on business matters. In the appendix of a book written about Mr. Drucker there are two quotations from his work. The first is: "The corporate income tax is the most asinine of taxes". The other quotation is the following: "We are dedicated to the preservation and strengthening of small business, and our tax policy is designated to destroy small business." I hope the Minister of State (Small Business) will read these little quotations because they are very apropos. This quotation continues: "Small businesses are selling out because of tax laws designed for IT & T"; that is, International Telephone and Telegraph. Here again is another quotation illustrating how ridiculous our present tax system is and the very urgent need there is to do something about it.

What is the history of taxation in Canada, and how did we get into the mess we are in now? A year or two ago the Prime Minister (Mr. Trudeau) said that the free market system was not working. He seemed to think, for one reason or another, that the economic mess we were in then was due to the fact that the free market system did not work. He did not attempt to analyze whether it was because there was too little government involvement in the free market system or perhaps too much, but I suggest that if he had chosen to be honest with us and with everybody else, he would have told us in addition that the reason it did not work was because there had been too much government interference.

I think something has to be done along that line. The Prime Minister did his usual trick. Within a few months of his making that statement he saw fit to take the most reactionary Conservative on this side of the House over to his side of the House in order to give the impression that he was having a second thought and that perhaps the private sector needed to be encouraged a little. He brought the hon. member for Crowfoot (Mr. Horner) to his side to give the impression that an arch small "c", reactionary conservative could be part of the Liberal Party of Canada.

Income Tax Act

We know that the hon. member, who is now the Minister of Industry, Trade and Commerce, has no weight over there at all and that he is not having any effect. I suppose he will find that out too when the next election comes around.

If we are to look at what has happened in our tax system, we should start back at the end of the second world war. At about that time there was a great need for fresh capital to start our industry moving again. There seemed to be a need for industry to get working more and to become more effective, and there was an apparent need for capital. A former minister who is now deceased, the Right Hon. C. D. Howe, saw that in the United Kingdom there was a system known as accelerated depreciation which seemed to have an effective result as far as getting industry going again after the war. He brought this back to Canada and integrated it into our tax system. Accelerated depreciation is a form of tax relief which is nothing more than a manipulation of the tax system. As a result of that manipulation we soon developed a system in which savings were being accumulated by industry and by business because of so-called "tax incentives", and I put those words in quotation marks because there is no such thing as a tax incentive. A tax, by its very definition, is a disincentive. In any event, it was called a tax incentive, and I suppose we will have to accept that.

However, it soon became evident that companies were able to accumulate a lot of money in the way of savings, so much so that the time soon came that in its search for money to spend the government was able to auction off treasury bills and get its supply of money from what the private sector was accumulating by way of these accelerated depreciations and other tax incentives.

It was at this stage that we had the beginning of the decline in the role of profits in our basic economic system, which had functioned relatively well up until then. There was a decline in the role of the functioning of profits due to the fact that no longer did business have to borrow on the money markets, because money was then available through various types of tax incentives, accelerated depreciations, write-offs, and so forth.

One could arbitrarily say that there are two economic systems. One is based on a profit incentive. Under that type of system success in business is determined by reducing costs and by increasing productivity. I submit that it would be very difficult to find a system better than that.

Unfortunately, we have moved out of that system because of what C. D. Howe did back in the late forties or early fifties. We moved away from the profit motive being the incentive to produce and manufacture products. We got into the so-called tax incentive, which is the other type of economic system. However, under the tax incentive system the incentives do not encourage production or efficiency. Incentives are there to inflate costs. The greater the costs, the more successful a business can be.

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We have the anomalous situation in our economy where presumably we are trying to produce more, put more people to