

As the hon. member for Lethbridge-Foothills (Mr. Thacker) just pointed out, that basically is fundamental to the NDP philosophy and is founded on the famous sum zero theory, a complete disbelief in the role of private capital and in the marriage of capital, resources and labour in the creation of economic growth.

Mr. Orlikow: You are being ridiculous.

Mr. Johnston: You had your opportunity; I look forward to hearing you on another subject.

Moving from there, I almost felt like rising on a point of order when I heard members such as the last one, and a questioner in a question addressed to the Prime Minister (Mr. Clark) the other day, claiming that this was an original Tory idea. That statement is discredited on its face because the Tories, to my knowledge, have never had an original idea. This particular idea has been bandied about for years. The Tories are perhaps not as far behind as in the past—generations and decades—but they certainly are behind with respect to this idea.

In May, 1978, after having been nominated as a candidate for the Liberal party but prior to the byelection when I was elected in September, I examined this question of mortgage interest deductibility. I had actually been a promoter of the idea for some time. On May 15, 1978 I wrote to the then prime minister, now the Leader of the Opposition (Mr. Trudeau). I would like to read one passage from that letter. I quote:

Some tax relief must be provided to home owners who are now prohibited from deducting interest on loans obtained to acquire a home. The relief need not take the form of a deduction of interest but could take the form of a tax credit which the officials in the Department of Finance would regard as "progressive" inasmuch as it benefits the taxpayer with lesser income as compared to the taxpayer with greater income. A limit to the credit or to the amount deductible if that is the preferred technique could be established.

That letter was sent in May, 1978. I subsequently had discussions with members of my party and in caucus. When the present Prime Minister first released this idea to the Canadian public as mortgage interest deductibility in September, 1978, we had moved past that stage. Of course, the modification of which they are so proud, that it take the form of a tax credit, was only introduced this autumn. In this instance they are only a year and a half behind the Liberal party instead of a decade or a generation. I would point out that we on this side of the House, far from being ashamed of this idea, examined it from every point of view and rejected it, recognizing that it was socially not acceptable.

● (1540)

We recognized, too, that it was a bad economic instrument, that it was not fiscally neutral, and while it appeared to me, sitting in the private sector and trying to promote reform ideas, as being a vehicle which perhaps we should consider, upon examination we concluded it was not in the interests of the country to introduce a scheme of that kind.

We drew those conclusions from our own expertise and from the trip to Washington to which the hon. member for Broad-

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view-Greenwood made reference. We did not have the benefit at that time of the study by the C. D. Howe Institute which condemned the plan, or of the study of the prestigious Institute for Policy Analysis of the University of Toronto, which condemned the plan, or by the Fraser Institute of Vancouver, which condemned the plan, or of various other studies and commentaries which have since been carried on by renowned economists across this country. We had the intelligence and the foresight to abandon this plan, having examined it, before it even occurred to the spirit of these gentlemen to make the modification they first made this autumn. So I object to being told that this is an original Tory idea.

First of all, mortgage interest deductibility is an old idea. As the Minister of Finance (Mr. Crosbie) has pointed out, it has existed in the United States since 1862. The idea of a tax credit is not new, either. All of these plans have been examined over the years and they have always been rejected on the grounds I have indicated, apart from the fact that it is fiscally irresponsible to consider any such plan at this time when the minister makes much of the deficit afflicting this country. Yet this is a plan which might have the effect of increasing it by 25 per cent.

You might ask, Mr. Speaker, having read the passage which I wrote to the then prime minister: What made you change your mind? What made me change my mind was a close examination of the impact of that package on our economy and on our society. As far as I am concerned, the plan is totally unacceptable. One might ask then: If it is totally unacceptable, why has it enjoyed so much popularity? We know that hon. members on the other side of the House attribute much of their election victory to this plan. What is at the root of its popularity? I have spoken in the House before on that subject and I do not want to belabour the point today, but it is perfectly clear there is a constituency in this country, one to which this plan appeals, which believes it is overtaxed.

As I have often stated, I share that view. I believe that middle and upper income groups in this country are bearing a disproportionate amount of the tax burden. But if that is the problem, let us face that problem and introduce meaningful fiscal reform rather than attempting to create a benefit for one particular interest group, namely, home owners. We want to achieve tax neutrality and a fair distribution of the tax load. This plan, as members have acknowledged, and as people across the country have acknowledged, has absolutely nothing to do with housing. It happens to be a tax plan which is of particular benefit to home owners. It does nothing for the housing industry and it is detrimental to the economy in almost every way one could imagine.

What do we need? Apart from the fiscal reform to which I made reference and for which I will continue to fight, what we need, essentially, is capital formation. There are capital requirements. Net investment has fallen—I am talking about investment in productive areas, not investment in residential construction. I was looking recently at some comments of Mr. Tony Boeck of the "Bank Credit Analyst" which he delivered to the Canadian Institute of Chartered Accountants, and he