

so inadequate, that this week the Minister of State (Small Business) (Mr. Abbott) had to announce that he was going to introduce other measures to stimulate business in his sphere of interest.

● (1552)

Even the controls program which we are just now phasing out was harmful to Canada's economy. In the first place, it made investors nervous and delayed economic growth by limiting wage increases and reducing the amount of money in the hands of consumers. Consumers can hardly be expected to increase their demands on the economy and spend more money if the government is going to limit the amount of money that is put into their hands.

Looking at the situation with regard to taxation, and capital gains in particular, we can see quite clearly that the capital gains regulations as they exist have inhibited economic growth and have been a great disincentive to investment insecurities. Two days ago we on this side had a motion calling for a special committee of the House. I thought that the motion was apt and timely, but of course it was denied by the government. I thought it tied in very nicely with the results of the Royal Commission on Corporate Concentration which after three years had made its report at last. The observations in that report were that the capital gains had yielded less than 1 per cent of the total tax revenues in 1976 and that half of that was paid by corporations. On page 275 of the commission's report we find the following statement:

Estimated yields from the tax on capital gains rose from \$54 million in 1972 to \$235 million in 1975, slightly less than half of which was paid by corporations. These are very modest sums indeed, especially when compared with the total federal tax revenues of \$32.4 billion in 1976/1977.

A little later, the report states:

In exchange for a relatively small sum in tax revenue and a partial move toward more equity, Canada's tax system was made much more complex and expensive to operate. The question is, was it worth it? We do not think so. There is no reason to expect that the capital gains tax will ever make a significant contribution to the government's tax revenues. It certainly will not do so while the Canadian economy remains in its present depressed state, and the existence of the tax is one depressing factor that the economy can ill afford at this time. The design of the capital gains tax ensured that it would do little in terms of equity, and the most recent amendments to the tax law are a further step backward in this sense. The result is a complicated and costly addition to the tax system and a disincentive to business investment, with little compensating benefit.

Clearly that indicates that the present policies for stimulating the economy are inadequate. Our motion called for creation of a special committee which would have been able to examine such ideas as those for which the government had already paid a big dollar.

I want to look also at the income tax aspects of this bill as well as the report of the royal commission. Certainly changes have been made to the income tax. I am not sure how good they will be in helping the economy out, but let me run briefly through them. Tax changes will be made on rail transportation and on expenditures on scientific research. There will be measures to encourage the production of energy-increased depletion allowances, measures to help production of Canadian films and to help employees at remote work sites, and meas-

ures that will affect many elderly Canadians with registered retirement savings plans. We were pleased to note that efforts by members on this side and the Consumers' Association of Canada have resulted in progressive changes to the rules regarding registered retirement savings plan withdrawals after the age of 60.

Measures were introduced to help capital gains tax problems arising on the family transfer of shares in family farm corporations and partnerships. Again I was dismayed to note that none of the small business people in Vancouver-Quadra, where we have no farms, were going to be helped by this measure. To illustrate the inadequacy of this bill and of the budget measures, let me point out that only yesterday the Minister of Finance announced that there will be similar relief in the way of capital gains tax given for private businesses which will be able to be passed on within a family without attracting the tax at the time of death.

After a great debate not many months ago—I guess it was after the last budget—concerning the proposals as they affect life insurance, I find that again changes are proposed to the rules relating to interest paid on insurance policy loans. I suggest that this is as unclear as it was some months ago. I hope that in committee of the whole the minister will be able to solve some of the problems existing in that area.

On the income tax aspects I wanted to mention what the royal commission has said in that regard as recorded at page 274 of the report. It stated:

It is abundantly clear from what we have said in this chapter that savings over the next few years will be inadequate to finance the necessary business investment and that current unexpected risk-return ratios will be inadequate to induce risk capital investment. This and the other serious problems of the Canadian economy which we reviewed briefly in chapter one concern us deeply.

The commissioners say that tinkering will not work and that major changes are needed to our income tax system. I am not saying that this is my policy, and I am certainly not saying it is my party's policy to do what the royal commission indicates is necessary, but 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.

I think it is most important that we have some method of minimizing these legal costs for the ordinary taxpayers of Canada. After all, in the end it is the people who deal with these corporations who are required to pay the taxes. What we need is some forward looking ministers, particularly in the finance portfolio. I was thinking of that today as I prepared these notes and I was forced to look at the list of finance ministers in the last 15 years. There has been no fewer than six of them—most of them have disappeared now. Some hon. members may remember the names: Gordon, Sharp, Benson, Turner, Macdonald.

[Translation]

The Acting Speaker (Mr. Ethier): Order. It being four o'clock, the House will now proceed to the consideration of