

The Budget—Mr. Cassidy

States, as part of his tax reform realized that not to tax capital gains was unjust, inappropriate and unacceptable to his administration. Yet the Minister of Finance (Mr. Wilson), when he had the opportunity in his most recent Budget to close off what has to be the most obvious tax loophole in our system, did not do it.

The fact is that the Minister of Finance failed to act on this obvious and major loophole which every tax expert in the country has identified as being just that, as well as being unfair and unjust. Does that not jeopardize the whole approach to the Government when it says that it is interested in tax reform? Can one really have faith that the Government means business and is serious about a just and fair tax system when it fails to take advantage at such an appropriate time to close off this loophole?

Mr. Cassidy: Mr. Speaker, I thank my hon. friend for his question. I want to comment very briefly on it. Yes, it does jeopardize the integrity of the tax reform process. Since the Conservatives came to power in 1984 the increase in taxes on persons has been about 50 per cent while at the same time the decrease in taxes on corporations has been about 18 per cent. What we are being told is that despite that the Government will mend its ways and that, in fact, we will see a reduction in personal taxes and an increase in the corporate tax load on profitable corporations. What I think will happen is that the people, having had their heads bashed against a brick wall for two-and-one-half years, will find that there may be some modest decrease in personal taxes but nothing close enough to compensate for the increases in taxes that have taken place under the Government since September of 1984.

Mr. Hockin: Mr. Speaker, I would like to tell the Hon. Member for Ottawa Centre (Mr. Cassidy) that I listened carefully to what he said this morning. I would like to ask him a few questions. First, can the Hon. Member remember back to November 9, 1984, when his colleague, the Hon. Member for Yorkton—Melville (Mr. Nystrom), predicted that when the Government decided to cut \$4 billion from the deficit—he said that he had been told this by economists—as many as 100,000 people could lose their jobs because of these cut-backs. Does the Hon. Member for Ottawa Centre stand by his colleague's prediction, given that 675,000 jobs have been created instead of 100,000 being lost?

I also want to ask the Hon. Member what his approach is to corporate tax reform in the context of other jurisdictions which have lower corporate tax rates. He argued for more revenues from the corporate sector. Is he also arguing for higher marginal rates? I want to get this clear. If he is, then how would he handle the relationships with other jurisdictions if they had lower rates?

In listening to the Hon. Member's remarks I tried to keep a list of the many things that he promised his Party would do if it formed the Government. Although a number of these measures will be announced in different ways in due course during this fiscal year by the appropriate Ministers, has the

Hon. Member added up what his programs would cost and what the deficit would be if he were Minister of Finance?

Mr. Cassidy: Mr. Speaker, the Minister of State for Finance (Mr. Hockin) might have mentioned that the growth rate in the economy has declined year after year since his Government came to power. One of the reasons for that has been the very heavy burden of taxation which now amounts to about \$1,400 to \$1,500 on the average family. That has oppressed the ability of people to spend. It is also having an effect in terms of the reduction in the personal savings rate as people dig into their savings in order to try to maintain their standard of living.

If the growth rate in terms of the economy declines, what that means is that, yes, we are losing jobs that could have been, and would have been, otherwise created. The Government insists on the figure of 675,000 jobs having been created. As I pointed out this morning, from January of 1986 to January of 1987 the total increase has been 137,000 jobs. That is an annual rate much less than what we had before. Only 5,000 of those new jobs were to be found outside of Ontario; the rest were to be found in the Province of Ontario. That is good for Ontario. It is my province and I am glad to see that happening now in the Golden Horseshoe. However, that renewal is not making itself felt elsewhere in the country.

If the Minister had been listening he would have noted that I said we need to make full employment a key priority of the Government. If one does that then there will be benefits in terms of the deficit, as well as in terms of costs. I think the Minister is aware of that. There would be benefits in terms of lower rates on UI and lower expenditures on the Canada Assistance Program and higher tax revenues that come both from individuals and from the corporate sector, if corporate taxation is fair.

With respect to the question of corporate tax reform, the Minister should realize, and I am sure he knows this and would not have asked the question if he did not know the answer, that in the United States there has been a transfer of about \$110 billion of tax burden from individuals to corporations as part of the tax reform package that has taken place in that country. As my friend from Kamloops—Shuswap noted, it is significant that in the United States there are now no concessions provided for capital gains. When we suggest that apart from the farming sector and small business sector we should close up that loophole on capital gains, we are being consistent with what is happening in the United States.

I suggest that the concept of broadening the base and lowering the rates is one that is effective, but that the problem in Canada has been that the share of revenues coming from the corporate sector, far from increasing as it has in the United States, has been systematically decreasing. It has gone down from 14.5 points to 10.5 points of total federal revenues just in the last three years.