

Senator Grosart: All I am trying to get at is how you control this if you do not have some prior checkup on the amount of research that a company is going to do, and is going to claim for in respect of tax exemption. It seems to me that there would be a very difficult situation if at the end of its financial year a company prepares its financial statements on the assumption that certain items are tax deductible. As anybody who has had experience with the Department of National Revenue knows, they are not easy to get along with. Suppose they say, "No, no"?

Mr. Mackenzie: Well, if it is written into the law then there lies an appeal to the courts on these questions. I simply believe that in this area decentralized decision-making is terribly important, and it is undesirable to set up an alternative system of a group of wise men in Ottawa to evaluate things. I think the chances of loss arising from an improper use of such a system is a small price to pay for the very real stimulation you will get from a decentralized decision-making process.

Senator Grosart: There is one last question that occurs to me at this moment and it is with respect to this so-called nationalism. You say it would be very unwise in this field of R and D to discriminate against what you call the international companies. What happens if the international companies discriminate against Canada? You mentioned, for example, that in the case of pentaerythritol it is quite possible that if the rate of taxation is not acceptable to the company they might pull out of Canada. Looking into the future, the proportion of the gross national product that the international companies will be responsible for is frightening—at least, to me it is frightening.

Mr. Mackenzie: That is right.

Senator Grosart: It frightens me to consider the position that a country such as Canada might be in. What you are saying is that we must not discriminate against them, but if they do not like the social and political decision in Canada to raise the corporate tax to 54 per cent then they may pull out, despite the fact that they might have received the benefits of certain tax incentives. The Canadian public may have paid for their research, such as in the Edmonton case, and they can take it away tomorrow. Surely, there must be a *quid pro quo* here. We are not to discriminate against them, but how are we to prevent their discriminating against us? Or, how does Trinidad and Tobago, or any other country,

protect itself? I ask this question because you made a very strong point of it. I am not being chauvinistic about this.

Mr. Mackenzie: No, no.

Senator Grosart: It is interesting to hear you say there has to be this non-nationalistic type of policymaking, and that we are not to say it is to be for the benefit of Canada. It is interesting to hear you say that you do not like this policy that it must be for the benefit of Canada. I do not understand that.

Mr. Mackenzie: Well, on this whole subject of international companies there is, I think, a tremendous area that needs a great deal of study. I believe personally that there are ways of going about getting some degree of control; of recognizing the international companies as a fact of life, and finding some form of international agreement that will control their behaviour. I believe it is not beyond the realms of possibility. This is a very big international subject. It is nothing that Canada itself can do, but I think something can be done which would control, in the interests of the small countries, the fantastic effect that is going to come about by the development of these international companies, based largely in the United States, because of the extent that they are used as instruments of United States policy around the rest of the world. The problems that are arising between Canada and the United States are going to be repeated time and again in other countries as they progress in their development. We can see it beginning in Europe, and so on, now.

What I am really saying, I think, is that we ought to recognize that these international companies are a fact of life; that they have tremendous research organizations. We have access to all of that information, and we should not discriminate against them, in my book, as against a Canadian company in matters of research.

There was a philosophy here that we had good Canadian companies, we had bad Canadian companies, and we had middle Canadian companies. If you were a good Canadian company you were owned 100 per cent in Canada. If you were a bad Canadian company you were owned 100 per cent outside Canada. If you were a middle Canadian company you had a 25-50 per cent Canadian ownership. I think that that was a great mistake in the whole approach to this thing, when you are talking of a field like industrial research.