

Income Tax Act

tions on demand in our economy at the present time, if one lives in eastern Canada or northern Canada, if one is unskilled or happens to be born a woman and not a man, or if one is a native person, the chances are higher that he will end up joining that army of unemployed. We must ask ourselves two questions in fighting this war on inflation. First, we must ask ourselves whether it is fair, and the answer is no, because of the inequity of the policy which is being followed. Also, we must ask ourselves whether it is working, and the answer is no. It is futile. The policy of the government, no matter how one puts it, is to restrict demand both in terms of government spending and consumer spending and hope that it will have the effect of reducing inflation. This policy was followed by the government of the Prime Minister (Mr. Trudeau) in the old days, by the Hon. Leader of the Opposition (Mr. Clark) when he was prime minister, and by the Prime Minister now that he is again leader of the government. There is no distinction and there is no difference; it is exactly the same policy. There has not been a single shift away from the so-called expenditure line or path about which the Minister of Finance is so proud to talk. Well, one man's road to expenditure is another man's road to unemployment. That is exactly what has happened with the government's policy at the present time. It is a futile policy.

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My colleague from Hamilton Mountain will be talking about how futile that policy has proven to be in the automobile industry. That policy has enabled us to see that all the reduction in consumer demand in the world has not had the effect of reducing prices in Canada. In fact, the prices of automobiles in Canada have risen 35 per cent to 40 per cent in the past year to 18 months. If you look at the oil industry, you see that the restrictions in demand will not have the effect of reducing the price.

In answer to questions from our party, the Prime Minister admitted that the oil companies had been making exorbitant profits over the past two or three years. One simply has to ask oneself: What kind of world are the people who make economic decisions living in? Do they seriously think the way in which to fight inflation and deal with the fundamental economic problems of the country is to constrict demand and say that an industrial policy is less important than the constitution and less important than the energy package? Do they not see that you cannot separate an energy package from an industrial program? Do they not see that these things go together? Do they not see that you cannot talk about Canadianization of the oil industry without talking about Canadianization of the industries which supply the oil industry? Yet, we are told these things are being put on the shelf. We are told they are less important to the government than the constitutional matters. I think the constitution is important. I also think the economy is very important. I think it will be a sad day for the Canadian people when the government decides that some of its pet projects will be seen to be very important but others, which affect the livelihood of Canadians right across the country, will be regarded as second best.

The government has presented us with an income tax bill. I said the Minister of Finance had courage. I think it really does take courage. It is the same kind of courage the emperor had when he walked down the street with no clothes on. It takes courage to come into this House with a pathetic series of housekeeping measures which have nothing at all to do with the major problems which face Canadians. These measures have nothing at all to do with the challenges facing our future, or the real inequities which exist, not only in our economy but in our tax system.

It is to those inequities in the tax system I wish to turn. One of the most interesting features which I found in the budget speech of the Minister of Finance was his referral, in a very general way, to some of the problems facing the tax system. He referred in a very general way to the philosophic question of whether one should allow for greater depreciation and greater tax expenditure on the part of the government or whether one should shift to a policy of the government giving direct grants, trying to get away from tax expenditures which have become so large in the past few years.

He then said they would be presenting a discussion paper on the taxation of capital gains. He said, apart from this, the major features of the income tax sections of the budget would have to do with the small business development bond and the 50 per cent investment tax credit for investment in DREE. The SBDB, as it is now called, was a policy that was started by his Conservative predecessors, which involved absolutely no innovation whatsoever. The investment tax credit idea for certain regions in Canada is an idea which is about as original as it was in 1963 when it was first put forward by Walter Gordon.

It has been introduced time and time again as an attempt to solve the problems of regional disparity in Canada on a very temporary and ineffective basis. But nowhere in the budget do we see any discussion of the philosophy behind the Income Tax Act. Nowhere do we find a discussion as to what the general purpose or thrust of the policy is. Nowhere do we find an attempt to say that in 1967 the Carter commission put forward certain recommendations and in 1972 the tax reform bill was passed in order to achieve certain results, this is where we stand now and this is where we would like to go for the 1980s. The fact is we are further away from the principle that a dollar, no matter how it is earned, should be taxed equally and fairly. We are further away from that principle than we were in 1967, when Mr. Carter put forward his recommendations in the royal commission.

I point out to the hon. member for Sarnia (Mr. Cullen)—and I would like to hear him announce this at one of those meetings I am sure he holds regularly in his riding—that there are 24 Canadians who earned over \$200,000 in 1977 who paid no tax. I would like to hear him tell that to the workers in his riding. The member for Sarnia can tell that to the petrochemical workers in his riding. If they tried to do that, Mr. Speaker, they would be thrown in jail. These are 24 Canadians who legally, because of the loopholes we have in our tax system, paid not a penny in taxes.