

*Alleged Decentralization of Policies*

before us. I should like to suggest four or five practical steps that could be taken right now to bring that about.

The first of these is a change in tax policy which would benefit the vast majority. It is the kind of change that is in complete contradiction of the bill that we will probably be discussing in this House on Monday or Tuesday next which proposes an across the board tax cut of 3 per cent to individuals and 7 per cent to corporations. That kind of tax cut is wrong on the grounds of equity and employment which are the two objectives of a sensible tax policy. The 3 per cent across the board tax cut for individuals means, of course, that millionaires or people with substantial incomes save much more than those with average or low incomes and that is why it is unjust.

An across the board tax cut, of course, is beneficial to a party seeking re-election, especially a party that relies for a good part of its support upon upper-income groups. What we need, instead, is the kind of proposal that I and some other members will be making in the debate next week for a 40 per cent tax cut and to put a ceiling on the amount. In a debate on a similar subject last Christmas-time I made a proposal for the introduction of a tax cut of 40 per cent with a ceiling of \$40 for the individual. Under the present tax approach of this government, a man earning \$30,000 upward will save from \$1,000 to \$5,000 a year in tax.

Under the government's proposal, a single individual earning \$2,000 would save \$2.25, a single individual earning \$4,000 would save \$16.41, and so on. These are paltry sums for low-income people under the so-called tax reform of this government. Having a minimum tax saving of, say \$40 for tax payments in Canada would mean something to the low-income people and there would be a ceiling on it so that no one would save more than \$40. With the present legislation, upper-income people will save thousands of dollars.

The second practical and just role would be to start hitting the people on the stock market and the land speculators with a full capital gains tax. The government, with all their wisdom and bravado said they were bringing a capital gains tax to Canada but they did not say that we are the only country in the western world, with perhaps the exception of Spain, that has not had a capital gains tax for many years. Instead of bringing it in at the full rate, they brought it in at the 50 per cent rate. Instead of people in the stock market paying tax on a \$10,000 gain, these people have an exemption on half their gains. This is completely unjust and inequitable. This kind of thing is responsible for the cynical attitude of low-income people in Canada when they see the fat cats getting fatter by not paying their share of the tax burden. That minimal kind of equity would be desirable both in psychological terms and from the point of view of tax equity.

Another kind of injustice is brought to mind by the \$150 exemption to be allowed as work-related expenses. I have heard Liberal politicians say that this is wonderful, that ordinary workmen will be able to claim the expense of driving to work or of purchasing tools without even having to turn in receipts. I do not find this a remarkable or significant innovation. If they had said to the corporate set that a \$150 limit per year would be set on their expenses, that would have been fine. But they did not say

[Mr. Broadbent.]

that. In any big hotel in Toronto or Montreal, and no doubt in Bayshore in Vancouver where Mr. Hughes is currently residing in his attempt to purchase another part of British Columbia, there can be the situation where jet-set executives entertain their clients and write the whole thing off as a business expense.

If a business proposition is involved, the fact that \$150 is spent in one night on wine, good food, and so on, is incidental. But that, Mr. Speaker, reveals the hypocrisy which is built into our tax structure. We say to the working people of the country that they will be allowed to claim \$150 a year without even producing receipts, and we say to the upper-income people that they can spend \$150 a night and claim it as a business related expense. I say this is completely unjust and should be abolished. What is fair for the poor or average man should be fair for the rich man as well, and this just is not the case with the present tax laws.

I should like to go back to the question of the general reduction of taxes with which we will be presented early next week. I made reference to the across the board 3 per cent tax reduction for individuals. I should also like to say something about the 7 per cent reduction in the corporate sector. If it would not bore my colleagues, I could quote economists on this point. The 7 per cent across the board is for many companies simply a windfall profit by which we will allow them to have a little more money this year. If you reduce taxes in the corporate sector, the least that should be done, instead of giving an across the board reduction, is to analyse this reduction to make sure that what you achieve in the corporate sector is what you intend.

• (1620)

What should be done is to have a 7 per cent across the board reduction in every sector of the economy only if at the end of the fiscal year they can show they have increased their labour force and have expanded their enterprise by a certain percentage. That is the motivation that was argued by the minister of finance last fall when he announced the tax reduction. The motivation was to improve the job situation in Canada. If that is the motivation, there should be a rider attached to the tax reduction and no company should receive the tax benefit at the end of this fiscal year unless it has improved the job situation and has expanded employment. With the present legislation there is no such criteria. So, to repeat the point, it amounts to a windfall profit for a good number of companies and achieves no social benefit for the people of Canada.

Secondly, if we are to have significant corporate tax reform it seems to me what we need is a shift in the tax burden from the manufacturing sector to the resource sector. That is the kind of shift that would result in an increased number of jobs. In Canada the resource sector of the economy pays taxes at rates which are roughly, in their final effect, 50 per cent lower than in the manufacturing sector. Again, if the government wanted to create jobs, what it should do is remove this disparity because everyone knows it is the manufacturing sector—the textile mill in Montreal, the auto plant in Oshawa and the few firms which still exist in Mr. Speaker's riding—which employs significant numbers of people. You can have