

*Supply*

handle the decisions that have to be made on a daily and hourly basis across the land.

If profits are not taxed, there must be a tax on something. If we were to turn our minds to the taxation of net costs in the industrial sector, we would find that all of a sudden the government would deliver an incentive to remove all the waste and fluff from the productive system. I plead with the House to get a study group together to look into this kind of approach to taxation. It might even create a labour shortage, Mr. Speaker. I can foresee that within the next four or five years there could be a shortage of labour in the country if costs were taxed. This would make us competitive in the marketplace. I do not want this to be confused with the value added tax that exists in Europe. I do not think we should follow that route because it means the taxation of costs and profits. We should start out fresh. That would give us an advantage over all the other industrialized nations of the world.

We could then start doing the things that we want to do—reduce government deficits and control the economy. I should like to see the managers in government receive an incentive for reducing their costs. If we could do this, we would develop a feeling of wellbeing and begin to achieve the standards of excellence which would again give us a standing in the world marketplace.

In all sincerity, Mr. Speaker, I believe we will go down the chute as long as we leave the existing taxation base in place. If we want total government control over all means of producing goods and services, then all we need to do is to let the November 12 budget go through. It would be a victory for those who have been working all their lives to make Canada a socialist state.

I want to warn the people of Canada, however, that the egalitarian way is not the Canadian way and it is not the magic that has attracted so many people from other nations to this once great country. There is a way out, Mr. Speaker. We can have these debates and play games of trying to appeal to small business and a lot of other things, but if there is a true desire to resolve our problems with interest rates we should give an incentive to reduce the outflow of capital and we should stop the nonsense of taxing profits at a time when we need unlimited capital, if we are to own our own country. We could then bring our dollar back closer to par. If we could reduce the cost of production, we would control marketplaces all over the world.

That is my plea and my appeal to the NDP, to the government and to my colleagues in this debate on the opposition motion, Mr. Speaker.

**Some hon. Members:** Hear, hear!

**Mr. John Evans (Ottawa Centre):** Mr. Speaker, it is a pleasure for me to speak on this motion proposed by the New Democratic Party. I have serious difficulty with the motion, as you might expect, because I think it indicates a degree of naivete about how the economy operates, how the motivating forces in our society are causing events to happen, growth to occur, jobs to be created, the standard of living to rise and prosperity to move forward in this country. It is a naivete that does not understand the causes of inflation nor the debilitating

effects of inflation on investment, which, after all, is the engine of economic growth and job creation. It does not understand the historical causes of the problems we face today, nor does it understand what is possible in a world economy.

There are some very serious and far-reaching problems with the proposals put forward in the motion, Mr. Speaker. The problem of interest rates faces almost all western industrialized countries. Earlier in the debate we heard the Minister of Finance (Mr. MacEachen) speak about the situation in France. The French government thought it had some innovative and creative ideas about how it could divorce itself from the world economy but instead, the French franc took a serious battering in the money markets and interest rates have had to be raised by more than 2.5 per cent over a short period.

We are a world economy, Mr. Speaker; we are an integrated world economic system. We have to face that reality. We cannot divorce ourselves from it as a trading nation. This country is probably the most heavily dependent on foreign trade of any nation in the world. We are great traders and we are a great trading nation. We know that 30 per cent of our gross national product comes from international trade and 25 per cent of the gross national product is represented by trade with the United States alone. We should certainly look at ways to diversify trade. In 1976 the Prime Minister (Mr. Trudeau) put forward a proposal which was roundly condemned and soundly damned by hon. members opposite. It was called the "third option". It was an attempt to divorce or diversify ourselves over time from a heavy dependence upon the United States as a major trading partner, and to move more into a trading relationship with Europe and the Pacific rim countries. It would be a great boon to British Columbia if we tried to improve our trading position with other countries in the world. We were told that it could not be done and that we were turning our backs on our traditional trading partner. It seems to me that we missed an opportunity, but the opportunity is still there. We can diversify our trading patterns, and we should be moving in that direction. The Minister of State for International Trade (Mr. Lumley) is travelling all over the world trying to improve our trading position with other countries so that we can sell more Canadian goods and services.

● (1550)

We must look at the question of interest rates which are debilitating and tearing apart our economic fabric. We must deal with the entire cause of high interest rates. We cannot deal with our economic difficulties by looking at the symptoms of the difficulties. We must go to the heart of the problem. The heart of the problem has been referred to repeatedly both inside and outside the House by everyone who knows anything about what they are talking. The root cause of the problem is inflation. If we do not bring down inflation, we will not solve the problems of unemployment, low productivity and slow economic growth. Inflation is beneath all those problems. It shortens time horizons so that people do not make long-term investment decisions and do not offer five year- mortgages. We