

money at lower interest rates. In effect, the government wipes that situation out. So, the chaps who went ahead and took up options on the basis of the Small Business Development Bond are stuck now with this 15 per cent or 20 per cent interest rate.

I would suggest to the minister, Mr. Chairman, and to his officials that this is a perfect example of where the present government zigged when they should have zagged. He knows this country needs lower interest rates, whether they be in B.C., the Northwest Territories or in the Atlantic provinces, whether they be in Quebec, Manitoba or Ontario. Big business, small business, the little people are all being wiped out in tens of thousands by this high interest rate policy in the United States and Canada. Quantitatively it is wrong. I made that pitch on a previous occasion when I gave the figures on the rough comparative cost of using the interest rate technique to fight inflation versus the value of the dollar. I am simply repeating what previous speakers on this side have said, "For heaven's sake, stand up as a representative of the people and say this measure will be extended." Under the rules, of course, we cannot make a motion to add to the possible financial obligations of the government.

I would like to return to my main argument, Mr. Chairman. One of the things I said in my earlier speech, which the minister remembers well—it got him mad enough to get up and answer anyway—was that the main purpose of the Minister of Finance should be to get the maximum amount of taxes that he can. Comparing the present level of taxation in Canada with that in the United States, ours is counterproductive.

I will give you a classic example of this, Mr. Chairman. If you want to get more money out of the tax system today, reduce the taxes. Then people will go ahead and do some business. They will take out these development bonds and develop something. With that development comes jobs and with those jobs comes wealth. On that wealth the tax collector will collect.

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Some people call this the theory of potential, but in its simplest terms, it is merely a way to get more money out of the tax system at a certain level, by reducing the rate, than can be obtained by increasing the rate. This theory does not apply to all things and all subjects, but it does apply in certain instances. About ten or 12 years ago the government, in its wisdom, increased taxation on cigarettes which were being used by roughly 30 per cent or 40 per cent of the population. The tax was increased to such a high rate that the people who lived along the American border smuggled in truckloads of cigarettes from the American side and distributed them without paying any tax to anybody. As a result, the government very wisely backed up and reduced the tax which stopped the smuggling and, as a result, it received more money.

The same situation exists today with regard to jewelry, which is the newest wrinkle in smuggling. With the rising prices on jewelry and an ad valorem luxury tax of 10 per cent, it makes such a difference that an article of jewelry which can be smuggled easily has increased tremendously in value over

this last year or so. According to the police the amount of this smuggling has increased to between \$100 million and \$400 million per year.

Jewelry is of interest to many people, and that interest goes beyond the very rich right down into the middle class. All one need do is ask the secretaries around here what they would like for Christmas, and they certainly let it be known. I would suggest, as in the situation with the cigarettes, that if the government wishes to get more money through jewelry, it should search for the right level of taxation so that we may be competitive with our main opposition in this field, the Americans. The smuggling will then stop and the government will make more money. All the ladies, and their husbands or boyfriends will be happy, and the government will make more money. That is the simple logic of the ordinary layman.

On the question of the development bonds, such logic is much more important because the government will lose millions of dollars by letting small businesses take advantage of this loophole in the tax law, whereby one can borrow money and pay interest as though it were a dividend. The number of jobs and the amount of wealth which the government will probably produce over the next five years or ten years by this move will be far beyond anything it will lose by reducing the tax. Nearly all the tax economists in the English-speaking world accept that principle. That is why the minister looked so stupid in the House when he took away this one little thing in the Crosbie budget which helped small business move toward fiscal equality with big business and which moved toward developing and stimulating the economy while at the same time giving more money to the taxpayers. This is not new economics. It is the oldest economics of the world.

When I heard the parliamentary secretary to the minister reading his speech the other night with the *passé* comments that he receives from the department, I was struck not just by the embarrassment in which he found himself when he learned that his whole speech was out of order, but by his repetition of this *passé* doctrine we are so sick and tired of hearing from the Department of Finance. I suggest that the parliamentary secretary should check with his officials, who are right in front of him, and they will tell him that what I am saying is true. But those officials should not make ministers look stupid by encouraging them to make such comments in the House. That is why I have always defended ministers of finance.

I have made my point very clear with regard to the Small Business Development Bond, but I could also add comments about the Farm Credit Corporation, the export operations of this country which we should be trying to increase in order to take advantage of our dollar and the building of homes which is almost at a standstill in some of our larger cities where prices are too high and rent controls exist. These things are the real needs of the people. If the government wants more money for the tax collector from these segments of the economy, it will get more money from those particular items which are marketable products by reducing the tax rate. How much the tax rate should be reduced, no one knows, but the government should feel for the point where it stops receiving more money,