

quite content to wait for a week or so before addressing myself to the next fiscal year and what tax cuts are appropriate with regard to that year. But we emphasized the importance of a 7 per cent cut for the latter half of 1972-73 to stimulate the economy and to do something about this terrible unemployment which, seasonally adjusted, stands at exactly the same rate in January of 1973 as it did in January of 1972, and is actually higher in February.

We also say that these measures which are before us do nothing to reform in any way our tax structure. When the budget was being considered, I urged the adoption of a reform measure to get the government out of the business of profiting from inflation. I put forward a very simple device which would, in effect, adjust the statutory exemptions, the statutory deductions and the tax brackets to correspond to the change in the purchasing power of the dollar each year. It is a very simple device, and I put forward the simplest mechanism that I thought I could devise. Somebody may be able to devise a simpler method, but it was clear at the time, and increasingly clear since, that my proposal would have preserved whatever equity there was in the tax structure for personal income taxation adopted in 1971. This simple measure would have prevented a drag on the economy from developing, one that has been so pronounced this year as a result of inflation moving people up into higher tax brackets and increasing everybody's rate of taxation, by leaving nominal rates of taxation alone. Of course, this would force any government to come to parliament for increases in taxation rather than allowing them to secure increased revenues in a sneaky way as a result of inflation working on the progressive tax structure.

Some hon. Members: Hear, hear!

Some hon. Members: Hear, hear!

Mr. Stanfield: If this course had been adopted, we would not have this problem today of the budgetary measures being a drag on the economy and maintaining unemployment at high levels, problems which we are now considering in a piecemeal way as this bill goes through the House. I do not think the Minister of Finance understood what I was proposing to him at all. He poured scorn on it. I do not think he misrepresented my position deliberately; I just think he did not understand it. It has been very apparent in the course of the months that have passed since May that the proposal I made, or some variation of it, is receiving increasing acceptance. A similar proposal was put before the Tax Foundation a few months ago and met with no objection at all. It is theoretically sound and very simple to administer. It would prevent a fiscal drag from developing in the course of the year as the result of the present tax system we have, and would compel the government to deal honestly with parliament. I cannot repeat too often that while the government can bring forth winter works programs and put more money into LIP projects, we need a big personal tax cut. We needed it in 1972 just to offset the real increase in tax rates that have come about through inflation. I cannot repeat that too often.

An hon. Member: How big is "big"?

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Mr. Stanfield: My hon. friend just needs to be patient for a week or so to see how big the government thinks is big. We will have no hesitation, as we had no hesitation during the election campaign, to put a very precise figure on it.

I think it is obvious that the measures we are now considering do not do anything to stimulate or encourage small business in the country which is the greatest source of employment in Canada. We put forward a proposal to encourage the individual and to stimulate business to expand and develop, a proposal designed to help people get started in small business. We call it the Canadian investment credit incentive, and it would be available if we were in government and had the opportunity to bring it into operation to benefit any Canadian citizen who invests directly in the equity of Canadian owned small business. The credit, which would be 50 per cent of qualified investments up to a maximum of \$5,000 a year, would either be offset against the individual's income tax for the year or repaid in whole or in part directly to him. Qualifying investments would include any equity share of corporations provided they qualify or direct participation in proprietorships or partnerships. In order for this credit to be available and granted, the businesses would be required to register with the Department of Industry, Trade and Commerce. Since only investment in Canadian owned small businesses would qualify, small business would include corporations with a net worth up to \$1 million and with annual revenues up to \$10 million, and no corporation would be able to qualify as a small business if its shares were listed on the stock exchange.

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I say again, as I said when I made this proposal, that I believe this incentive to small business will do more in a single year to stimulate private initiative, to provide more new opportunities for jobs, and to stimulate demand for goods and services than any combination of direct government loans, concessions and subsidies presently in effect. They, of course, include the measures we are now considering. I repeat that we are not opposing the measures we are considering, but they do not really represent an attack on the main problem confronting the Canadian people, and on the main problem confronting the unemployed. I have emphasized the need for tax cuts. I have emphasized the need for reform in our personal income tax system. I have emphasized the need for this kind of encouragement and stimulus to small business as the greatest employer in the country.

Of course, Mr. Speaker, how we are going to convince the government that it needs an independent forecasting unit is something I do not know. The Economic Council recommended this for years. We have been after the government for years on this. One would think that after its terrible record of forecasting, particularly this year, the government would be ready to help establish an independent forecasting unit. I have to say, and I say it without any unkindness in my heart, that in view of the record of the first year in office of the Minister of Finance, he is beginning to make the last year of his predecessor look good by comparison.

Some hon. Members: Hear, hear!