

Routine Proceedings

comparative international study has shown that none of the European countries have done so because technically it simply is not possible.

These problems exist because the value added tax is basically flawed in a world in which we live, next to a country that does not have a value added tax, and because we live in a country in which we like to take care of those who are at the lower income scale and who would otherwise have been hurt.

• (1640)

Mr. Nelson Riis (Kamloops): Mr. Speaker, I listened with interest to my hon. friend's dissertation on the son of GST, called the VAT. We will be referring to the Minister of Finance as Vatman or something of that nature.

Can the hon. member respond to this observation? When we go into book stores these days, the books we notice front and centre are books on how to avoid tax, how to reduce taxable income and so on. For many, tax evasion has become a blood sport. Being in a situation where one can avoid paying tax and participate in the underground economy now is something that Canadians increasingly are part of unfortunately.

Would the hon. member say that the reason for these activities is because Canadians generally have lost faith in our tax system? Do they see it as a fair system, an equitable system, a just system where all people are paying a fair share? If the perception is that it is unjust, unfair, then people are saying: "I might as well try to do whatever I can to avoid paying what taxes I am because I am probably paying too much".

Mr. Grubel: Mr. Speaker, I attended a conference on the underground economy which was held in Vancouver a couple of months ago and very soon the conference proceedings on this topic should be published by the Fraser Institute. This was a great subject for discussion. The surveys made of Canadians suggested they have become extremely cynical about these issues. The hon. member summarized the argument very well.

At the same time however the evidence presented by those people who have studied it a great deal suggests that the underground economy is not as large as is popularly believed. There are certain industries, such as home repair, shoe repair, home care services and on and on that when one looks at these industries in detail it turns out that they do not represent a very large proportion of national income.

The largest proportion of national income is produced by large industries such as automobiles, banks and so on that do not have an opportunity to evade taxes in the way it was suggested. Nevertheless it is quite clear there is a very great temptation at the moment as a result of the existence of the GST for people who wish to have their houses repaired, who have all kinds of services that are consumed in the home, are finding that produc-

ers come to them and say: "Will it be with or without the tax?" For them there is no penalty for suggesting this.

Why not save a buck, especially once the ethical standards about this have been eliminated or have been depreciated as a result of the discontent with overall levels of government spending and deficits.

It may very well be that it will be very difficult in the future to restore this. We may have used up an amount of social capital in trust and in confidence in our government and in our taxation program. There was a lot of worry expressed about that at the conference.

We hope to do that once we get our spending under control and taxes can be lowered, as is the program of some parties, but it will be a long haul.

Mr. Ray Speaker (Lethbridge): Mr. Speaker, I would like to say first of all that the committee experience with regard to this issue was certainly a very productive and rewarding one.

I want to pay tribute, as my colleague did a few moments ago, to the chairman, the hon. member for Willowdale, and also the departmental officials that were so willing to provide us information and direction.

I must say though that one of the things I noted as our hearings started was that it seemed like we were having a rerun of 1990.

• (1645)

Many of the people said very clearly: "I said this at the GST presentation in 1990, but it bears repeating in 1994". We heard that a number of times. It is interesting to see that certain recommendations which were made at that time but were unacceptable were more acceptable during the spring session of this Parliament.

One of the questions raised earlier was with regard to whether we could concur in this report without jeopardizing some of the negotiations with the provinces. There is no question that is a misconception. The report sets up a framework by which negotiations can take place with the provinces. It establishes a variety of options which can be used to negotiate or look at in terms of the responsibility of this government to replace the GST. There is no reason that this House cannot vote on this matter and concur in it at this point in time. There is no reason that cannot be done even though we may disagree with a number of things in that report.

What did we really hear in those hearings? What is it that Canadians said to us? That is the most important thing. They said very clearly that the GST had a lot of shortcomings and a lot of pitfalls. It was unacceptable in a number of ways.

They also said that they had spent a lot of money in 1991 in implementing it, putting it in place and complying with it as the government requested. They had spent a lot of money and did