Mr. Evans: To achieve that particular objective with regard to the income tax system, Mr. Chairman, the Government moved to index the tax brackets, to index deductions—

Mr. Hawkes: You have a question for the Minister?

Mr. Evans: —and on the other side to index expenditures, certain basic expenditures which certain Canadians have come to depend on for their sustenance, the OAS, the GIS, the CPP, the family allowance—

Mr. Hawkes: Ask a question.

Mr. Evans: The Hon. Member says ask a question, Mr. Chairman. I do not believe there is any requirement that an Hon. Member standing in Committee of the Whole must ask a question. We each have 20 minutes and I can say what I please in my 20 minutes. Not only should the Hon. Member understand something about the tax system, he should understand—

The Deputy Chairman: Order, please.

Mr. Gamble: I rise on a point of order, Mr. Chairman. One thing which the Hon. Member must do is be relevant. We are now dealing with ISIPs and Clause 2. If the Hon. Member who just spoke had been in the House, he would know the respective clauses we are supposed to be concerned with. Accordingly, I would ask that he direct his attention to those matters and not to a general, rambling debate.

Mr. Evans: Mr. Chairman, the point of ISIP is to index capital gains on certain types of assets against inflation. I am relating the basic principle which it tries to establish, or to continue, in tax legislation. The Income Tax Act was changed to try to institute protection against inflation so that taxation would apply to increases in purchasing power. Through the ISIP, we are taking the first step toward the indexation of capital gains such that the tax system—the capital gains tax in this case—applies only to the increase in purchasing power.

There is nothing difficult about that concept. It has been around in the Canadian tax law since the early 1970s on the income tax side. It has been there with regard to expenditure programs since that same period of time in order to ensure that the purchasing power of the expenditure programs is maintained at a level which Parliament thought was appropriate when those programs were put in place. It is exactly the same thing here.

It does not seem to make sense to me and I cannot understand why Hon. Members opposite object to the notion that if a person is asked to pay tax, it should be tax on the real gain, not on inflationary gains.

Mr. Hawkes: Why do you not put forward legislation to bring that about?

Mr. Evans: Hon. Members opposite are complaining that business expansion is being held back by this Government. This particular measure will act to enhance the ability of business to expand and develop. How will it do that, Mr. Chairman? I will explain it to Hon. Members opposite who need the explanation badly.

Mr. Hawkes: Deemed income to tax.

Mr. Evans: Taxing only the real gains, not the entire gain, not the inflationary portion, just the real part, is going to mean that the return to investors is going to increase after tax. After all, the most important aspect of the return is what is left to the investor, to individuals after they pay tax. If the individual investor is able to have a higher return after tax as a result of this measure, it should result in an increase in the value of shares in the marketplace. That would be the Toronto Stock Exchange. That would be the Vancouver Stock Exchange, where there is a lot of mining, which the Hon. Member for Kamloops-Shuswap should be interested in. Many of the mines which are developed in his riding are financed by share issues on the Vancouver Stock Exchange. Therefore, this particular provision should certainly have some direct benefit to him. The increased value of the shares, then, Mr. Chairman, for a given level of corporate earnings, is going to mean that firms will be encouraged to raise equity capital.

One of the reasons we had such a difficult time in the recent recession was that businesses had relied heavily on debt. Debt was cheaper to raise than equity. As a result, firms got too much debt in their capital structure. They over-levelled themselves.

Mr. Hawkes: How does the rollover contribute to equity?

Mr. Evans: This provision is going to make equity a more attractive capital source for small businesses, for other businesses, medium-sized, large businesses. That is going to mean it will be easier for those corporations to balance their capital structure. If they can put better balance in their capital structure, they will be less susceptible to failure and to having to crunch down during a recession. Jobs will be more secure if the corporation has a better balanced capital base. It is relatively straightforward, Mr. Speaker.

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The other problem we have had for many years has been the lack of depth of our equity markets. It has been difficult for small to medium businesses to raise capital.

Mr. Blenkarn: But they cannot use ISIP.

Mr. Evans: Equity markets have not been used because they have not existed, and one of the reasons is the way we have taxed equity returns, not only here but in the U.S.; it has been cheaper for the corporation to raise debt. Not using the equity market to raise capital means you have the inequity market. But this provision means the return to owning equity will be enhanced, Canadians will be encouraged to invest in equities, and it will broaden and deepen the equity market. That will mean it will be easier for small firms who are growing and expanding to put out new issues on the stock market and not use debt which puts them at great risk.