

*Income Tax Act*

in this House that people start saying it just is not worth while to work overtime, or indeed it is not worth going to work. In fact, we have reached the point in Canada where people are saying not only is it not worth while to work, but they can make money by going on unemployment insurance. Last summer I hired a student, Mr. Speaker, and it cost him \$30 a month to take the job. He was making slightly above minimum wage but it was \$30 a month less than he would collect if he did not work.

Around the 40 per cent mark people lose the incentive to work, so instead of receiving more taxes we find that more and more people go on unemployment insurance or welfare or do not work overtime. They do not have the incentive to produce more, to work harder and longer.

We have reached that point in Canada now. To increase taxes, let alone maintain the current rate, is counter-productive. The more we raise taxes, in fact, the less taxes will come to us. This is an economic reality that has been recognized throughout history and is now being recognized in the United States. Senator Kemp of the United States—a potential candidate for the presidency—has recognized this. Forces are now rallying to his side, recognizing that a major tax cut would help the economy of the United States as it would any of the western industrialized countries.

The key is to let producers keep more of what they produce, and the biggest effect will come from cutting rates where they are the highest. If the tax cuts reduce rather than improve rewards for the economy's most gifted, talented and skilled producers, they will be worse than nothing at all.

The middle class is being squeezed by high taxes and inflation to the point where it fears for its own survival. Simple desires, which up until recently seemed easily within reach of any middle class family, now seem out of reach. We all tend to expect in Canadian society that some day we will be able to provide a house for ourselves and our families. This is a basic, minimum expectation of Canadians which many have accomplished. All of a sudden, however, in this economy of overtaxation, people are finding that they cannot afford a house. Some people will say that is not so and that more people are buying houses; but actually more people who bought houses are losing them, and with their investment goes their incentive and everything else.

Recent statistics show that 850,000 people in Canada who should be able to afford a house actually cannot. The key to our economy is the fact that unemployment is hurting. It hurts to be on unemployment and on welfare. Foreclosures in Canada are accelerating at an alarming rate. Statistics that I received just today show that foreclosures on NHA houses only are 150 per cent higher in 1977 than in 1976. If that trend continues, 1978 foreclosures will be up by 200 per cent over 1977. From 1975 to 1978 the percentage of foreclosures will rise 1400 per cent. In other words, in the last three years there has been something drastically wrong with our economy because people have seen the basic ideal of owning their own home quashed.

It has been quashed because the government decided they would subsidize homeownership through AHOP, and AHOP has become a very hopping program. People bought houses on the predication that the value of the house would continue to rise, and with it their disposable income, so they could afford higher payments later. This is a situation that has not happened. An AHOP house in Vancouver that sold just two years ago for \$47,000 can now be bought for \$43,000. In other words, the value of the house did not increase, it dropped.

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At the same time, while that person's wages went up through wage controls, in fact his disposable income went down. It is from his disposable income that he makes his payments. Therefore, when the amount he had to pay on his mortgage increased, there was nothing left of his salary to pay his increased mortgage. His mortgage jumped from perhaps \$370 a month \$500 a month. When it jumped to \$500 a month, he could not pay that amount. Even if he could pay the \$500 he found that because he was not paying the interest—his payments did not even meet all of the interest—the house he bought for \$47,000 three years ago is now a liability of \$50,000. He now owes \$50,000 on a house which if he sold it would be worth only \$43,000.

What has happened to this man? He is paying \$500 a month on a \$50,000 investment which is only worth \$43,000. What does he do? He does as the program suggests, "a hop". He does an "a hop" into another municipality; he "a hops" out of that house. Instead of paying \$500 a month he walks out and pays \$43,000 for a new house. His payments, instead of jumping from \$370 to \$500 a month, have now dropped to \$330 because his initial investment was \$43,000. Who picks up the difference? The mortgage insurance corporations of Canada. And who is that? That is you and I who helped to buy the house in the beginning. Homeowners who have their homes are paying for them two and three times over.

This problem of foreclosure is serious. In 1975 there were 139 foreclosures. In 1976 the number jumped from 139 to 246. In 1977 the number increased to 630. In the first two months of this year there were already 244 foreclosures. That is through NHA alone. If one multiplies that number by four to get what this year's jump will be, and if the rate continues as it is, from 630 foreclosures last year it will probably be in the neighbourhood of 1,200 to 1,500 foreclosures this year.

That is unacceptable, but it is the reality that is brought home in Bill C-56. The reality is that Canadians who had these very modest desires are finding that they are getting to the point of being beyond their reach. People thought they could afford a university education for their children. At one time a person could pull \$1,000 from his income and support his child at university. Then it became \$2,000 and then \$3,000. Now that \$3,000 is not in the pocketbook to support that child at university. As a result people are now having to drop their sights of providing a higher education for their children. That was a basic element in Canadian society that we came to expect; that young people should be able to have a higher