

priorities. In Alberta it means the abolition of estate tax rebates. In this connection it must be admitted that the proceeds from the proposed new capital gains tax will be divided among the federal and provincial government because it will be distributed under the income tax sharing agreements. There probably will be no way in which the provinces could rebate the proceeds of the new capital gains tax to its citizens if it felt this was socially acceptable, because it will be mixed up with income tax. As a practical result, small businesses will no longer be able to pass on the assets of the business to members of the family.

In the area I represent, most small businesses are in the form of farms. Under the provisions of the existing legislation, estate and gift tax exemptions were allowed whereby in the case of farms there could be a once in a lifetime gift of \$10,000 to a child engaged in farming and annual exemptions of \$2,000 to anyone whether a relative or not. With the abolition of that tax there will not be any exemption.

If somebody wishes to set in process a means by which his business can be passed on to a member of his family, the capital gains tax will be required at the outset. This provision can only be described as a concerted attack on capital. It does not require a genius to realize what happens when a person starts living on capital. The same principle applies to an individual as well as to a country.

What we have here is a proposal by the government of Canada to start living on its capital. This can only lead to a decrease in the rate of our growth. Speaking specifically about the proposed capital gains tax, there should not be a limited size to the parcel of land on which the principal residence is located. Using the farm context again, the principal's residence is located—in my area at least—on what would be 160 acres or a quarter section. I cannot see why this one-acre parcel principle was adopted if it was not to appeal to a great number of people residing in the metropolitan areas of this country. This is an indication of gross discrimination against people living in our rural areas.

The application of the recapture of depreciation principle as far as farmers are concerned is also a retrograde step. This is one of the tools by which farmers in this country have been able to mechanize and become efficient. If other policies do not change, and there is no indication they will, our farmers can only be encouraged to become inefficient by using old, outdated machinery. They will be discouraged from attempting to buy better equipment. I strongly urge the government to try and understand that this has been a prime reason why farmers in this country have been able to survive the cost-price squeeze into which they have been forced by government policy. If this defence is to be taken away, I can only suggest that farmers are in for tough times ahead.

• (5:40 p.m.)

It would seem to me that a major aim of this government is to give the farmers a tough time. A recent document produced by the Department of Agriculture

The Budget—Mr. Schumacher

recommends that the family farm population of this country be reduced to 150,000 from the present 400,000 families. I suggest this is just another tool of the government to bring about that undesirable result.

I might refer to the fact that these tax reform policies interfere with the provincial order of priorities. I pointed out that the fiscal measures of this government have interfered with the field of education, which is a provincial matter, and how the capital gains tax proposal will interfere with provincial priorities in that area. This leads me to make a few comments about the constitutional process in this country.

I should like to use the opportunity of speaking on the budget to comment on the Victoria conference. On the face of it there would not appear to have been very much of importance accomplished at that conference. At least, that is how it has been interpreted to the public. But I suggest some very important decisions were taken at the conference which will affect the lives of everybody in this country in the ensuing years.

I believe it incumbent upon all members of this House to participate in debating the matter of constitutional review. It would seem that the idea was sold just prior to and during the conference that progress had to be made on the Victoria formula because otherwise the whole country would collapse. It would seem that the provincial Premiers were mesmerized or hypnotized on this basis and were talked into thinking they were the new fathers of confederation. I would hope we would not have to rely on the provincial Premiers as fathers of some new confederation, because they certainly do not compare in stature to the original founders of our country. In my view, that conference was dominated by the federal government. If this process is to continue, I do not see how the country can stay together very much longer. I believe one of the problems we face in this regard is that there has been too much centralization and too much dictation by the federal government to the provinces.

Apart from the loss of national symbols as indicated by the so-called charter of Victoria with which we have been presented, and the fact that we are to have a completely different form of government in this country if this charter is adopted because of the entrenchment of so-called basic rights in a new Constitution, I think we must realize that this country has operated on the basis of the supremacy of Parliament, but that if we are to adopt the principle of entrenchment in a new Constitution then there will be no supremacy of Parliament in Canada and we will have a totally different type of government. This will produce government by lawyers rather than a group of elected representatives because we will find many references of matters to the Supreme Court in order to interpret what is in the Constitution.

I suggest that this can only have negative implications in respect of the future. I would also suggest that the Victoria amending formula is not fair. It is unacceptable to me that certain areas of this country should have a perpetual veto in respect of future changes to our Constitution no matter what happens to their population,