As I said before, the program was announced in April of 1983 and passed in January of 1984. However, in the fall of 1983 the accounting profession had already recognized this was going to be a scam and were publishing information on how to take advantage of it. This was already common knowledge across Canada in October and November of 1983, a couple of months before the Bill was passed. When that was brought to the attention of the Hon. Marc Lalonde, he decided to go ahead with it anyway and it was passed in January of 1984.

We support this Bill, Mr. Speaker. It needs to be put in place. However, we hope the Government recognizes the lessons learned here which have cost us something over $2.6 billion with very little return. We hope the Government has some understanding of how the taxpayers of Canada were ripped off by a procedure which was not researched well enough. The Government did not know what the effects were going to be and was unable to stop the ripoff even after they recognized it. I hope the particular subject of this Bill will bring to Canada a better financial structure for these kinds of taxations in the future.

[*Translation*]

Hon. Donald J. Johnston (Saint-Henri—Westmount): Mr. Speaker, I welcome this opportunity to take part in this debate, because when the Bill in question was amended by Mr. Lalonde, I was the Minister responsible for Science and Technology.

● (1130)

[*English*]

I have a rather special interest in this Bill. I would caution my friends on all sides of the House in their use of hindsight in terms of criticizing and attacking the provision as it was introduced in 1983.

We all know that the Income Tax Act suffers from a number of serious weaknesses, complexity and inequity. I had hoped that during our period in government we might have made more progress in bringing some coherence to this tax system in this country, but, caught up as we were with the worst recession since the 1930s, inflation, high interest rates, constitutional debate, the Government can only take on so many major issues in the course of its mandate.

We attempted in a number of areas to improve the tax system, but did not have the opportunity of coming to grips with the tax system as a whole. Hence, efforts were made in specific discreet areas, such as scientific research and development, to meet the needs, the challenges of particular sectors.

Now we have a Government with 211 seats that is engaged in tinkering with the system, that has done very little, in fact nothing to improve the system, which has added complexity, and added inequity. I need only refer to the $500,000 lifetime capital gains exemption. I am reminded, when I look at this Government, of the statement of some wag, "You know, if Thomas Paine thought taxation without representation was bad he should see it with representation", because that is what we have today. We have over representation and the tax system continues to deteriorate. The great tinkerer, as he is becoming known, the Minister of Finance (Mr. Wilson) has not helped.

All that being said let us put partisanship aside for a moment and look at Bill C-109 and the background of this provision. The ingredients of economic growth have changed dramatically over the last century. When some of us were young, I suppose even before most of us were young, growth in an agricultural economy—and I grew up on a farm, Mr. Speaker, as perhaps you did—was brought about by the marriage of those three classical elements, land, labour and capital. As we moved into the industrial age the accent moved more to technology and to resources. Labour became as significant, and capital became particularly significant during the smokestack industrial generation of industries.

Now we have moved into the so-called post-industrial period. The accent is on knowledge-based industries. Growth is brought about by the marriage, primarily of capital and technology. Labour has assumed a lesser role. Land and resources, of course, have also assumed lesser roles. Witness the remarkable growth of Japan after World War II, a country effectively without a natural resource base, but money was placed in developing intellectual capital, developing technology and in applying technology. Most of it, in fact, in the case of Japan was foreign technology.

The Government in the early period of the 1980s, as I mentioned earlier, was fighting on many fronts, wrestling with the worst recession since the 1930s. As we began to emerge from that recession there was a recognition that to spur the growth, to build on the economic recovery it would be necessary to take certain steps to, if you like, have an accelerated recovery, to absorb those jobs that had been lost during the recession. That meant, and in recognition of the evolution that I referred to, the accent had to be on technology, and to ride the great wave of the technological revolution that was sweeping through our society.

Mr. Lalonde, in 1983, in consultation with the business community of the day determined that it was important to facilitate that marriage between entrepreneurs, who are the catalysts between technology and capital.

We hear much about the fact that there is a lot of capital available, and that Canadian savings were running at the time around 12 or 13 per cent. The high interest rates, of course, had driven people largely into debt instruments, as you will recall. Of course, while those savings were high and remained high, in this country, unfortunately, they are largely institutionalized, Registered Retirement Savings Plans, for one, in pension plans and so on.

Where does the entrepreneur, that great catalyst that brings about the marriage, if you like, between capital and technology find the mate. If the technology is there and more research and development is required to build on that technology, or to