managers or because the market disappeared, but because the banks told them they could no longer afford the new high interest rates that they were having to pay either for capital or for operating.

No one knows what the future will hold in terms of interest rates. This Government and the previous Government would not take the necessary steps to intervene directly in the interest rate sector to ensure that rates stay down. We have to provide some protection for the small business community to ensure that they remain viable and have a long-term planning capability.

Something we would want to address if one of the other Acts were before us—this is something a number of us have been encouraging the Government to do—would be the matter of taxation, how we tax the small business community on one hand and inappropriately tax the large corporations on the other. No matter how often we raise that question in the context of making sure the big corporations pay their fair share, Ministers who respond suggest that we want to tax the small business sector at a higher rate. Nothing is further from the truth.

Small businesses in this country now pay more than their fair share whereas the corporate sector, the big companies, pay much less. It is the big corporations which get the tax breaks. They have billions of dollars of deferred taxes outstanding. Not many small businesses have deferred taxes outstanding. They do not get those kinds of breaks. We should look at how we deal with that.

There was an excellent editorial in the January 30 edition of *The Toronto Star* which I want to enter into the record. It deals specifically with tax breaks for the corporate sector. The editorial is entitled "Wasteful corporate tax breaks". I quote:

> According to the Income Tax Act, corporations are supposed to pay 36 per cent of their profits in federal income tax. In 1980 the corporate sector actually paid about 18 per cent. The difference—accounting for more than $8 billion in lost federal revenue in 1970 alone—was the legacy of years of corporate income tax breaks.
>
> This $8 billion price tag represents a 400 per cent increase in federal tax breaks for the corporate sector since 1972—the year in which Canadians first heard the slogan "corporate welfare bums." This suggests that in producing corporate tax "incentives," the federal Department of Finance has itself been running one of the growth industries in Canada for the past several years.
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> But in strengthening our economy and promoting job creation, are corporate tax expenditures really effective? Was the $8 billion spent in 1980 a down payment for the resiliency and the technology that our economy so desperately needs? Study after study has shown that on both count, the answer is: probably not.
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> In a 1980 Canadian Tax Foundation study, for example, Richard Bird, Director of the Institute for Policy Analysis at the University of Toronto and one of Canada's leading authorities on tax incentives, concluded that "we know amazingly little about the efficiency and effectiveness of the investment incentives we employ so profligately. What little we do know suggests that these incentives are neither efficient nor effective in achieving most of the objectives for which they were supposedly introduced."
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> One of the most popular tax breaks of the 1970s—super-depletion—underscores how inefficient tax expenditures can be. With super-depletion, for every $100 companies spent searching for oil, the government paid $105. As a result, super-depletion was less notable for the energy finds it financed than for the profits that were made. If the government had so allowed, it would have been profitable under this scheme for oil companies to drill at Bloor and Yonge.
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> Since tax expenditures improve the "cash flow" of business, they are supposed to provide a key source of funds for expansion. But in examining the effects of cash flow on investment, a Carleton University study of 70 manufacturing firms found that where demande for the output of the firms was strong, the lack of cash flow did not impede investment; where demand was weak, additional cash flow was not channelled into plant and equipment. In other words, for these firms, tax breaks had little to do with investment.

● (1210)

> It is ironic, but at the same time as corporate tax expenditures were proliferating in Canada, they were being significantly curtailed by the Japanese. In describing this trend, Keimei Kaizuka of the University of Tokyo pointed to his findings that "we could not find evidence demonstrating the effect of tax preferences on economic activities. We could only mention the undesirable consequences of eroding the tax base."
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> Why have tax expenditures become the principal fiscal instrument for economic development in Canada? Most, if not all, corporate tax expenditures are a testimony to the good intentions of the governments which introduced them. In budget after budget, one finance minister after another has used them to pursue such laudable goals as increased employment, investment, productivity, international competitiveness, modernization, research and technological progress, in addition to more balanced regional development. Perhaps the unassailability of these objectives has served as an impediment to the scrutiny which these tax expenditures deserve. Perhaps it is the administrative simplicity with which they can be introduced.
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> But more likely, the steady proliferation of corporate tax expenditures has to do with the "politics of appeasement"—finance ministers are supposed to keep the business community happy. The aftermath of former finance minister Allan MacEachen's November, 1981 budget bears witness to this rule. After MacEachen launched his assault on tax preferences, business coalesced and MacEachen was through. In an effort to make peace with the corporate sector, Mr. MacEachen's successor at Finance, Marc Lalonde, introduced in his first budget almost $1 billion in new corporate tax breaks.
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> The essential problem with tax expenditures is that there are just too many of them. Each tax expenditure was introduced to encourage a particular type of activity. But the effect of any tax expenditure dissipates when many activities are rewarded at the same time. In his study of tax incentives, Bird concluded that "The more incentives are given, the more are needed to achieve the differential impact presumably sought in the first place."
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> With $8 billion in corporate tax concessions, the time has come for a major review. Since it is business that so desperately wants to see government spending cut, it is business that should be encouraging Finance Minister Michael Wilson to re-examine the effectiveness of each of these hidden "spending" programs. Instead of pointing to social programs, the corporate sector should begin scrutinizing its own set of books.

Those are very thoughtful words, Mr. Speaker, words which we should heed and look to as a method of bringing economic fairness to this country. We must foster the business community. In part, that means taxing it fairly.

There have been suggestions of allowing legitimate new small businesses—and we must be careful because often a business simply changes its name and starts all over again—to go for one or two years with a reduced tax rate or even with no effective tax rate as a means of allowing entrepreneurs to get established. It is worth looking at.

I think there are a number of other possible ways we can deal with this situation. However, I think the important thing is that we look at this Bill to see if we can improve it further. We should look to see if we can firm up its support and put in place mechanisms that will ensure that the concerns of the small business community regarding the banks avoiding the use of this program are met. Perhaps the Minister already has some mechanisms in mind in terms of regulations. We should make sure that that support exists and that the small business