

Income Tax

The criticism which was levelled at this proposal in the article to which I referred was that foreign tax collectors might well disallow research and development deductions against sales in that country if the research and development were carried out, say, in New Jersey. Well, I don't ruddy well blame them. I, for one, would certainly want to see Canada disallow increased amounts of money being used as deductions for research done in the United States for business in this country.

I think this was a very regressive measure. I do not know how many people in the Department of Finance knew this was going on, but certainly the scientific community was not aware of it. This is a very strong reason why there is so little research and development done in the industrial sector of the subsidiaries of foreign-based multinationals.

The situation is similar to the one which existed with respect to the *Time* and *Reader's Digest* legislation when it was brought before us. I feel we should take similar measures in this case, and not only reject any increase in the amount of money they want Canada to pay for research and development done in the United States, but even disallow that which is already being repatriated, a procedure which would come to grips with the problem of getting research and development done in Canadian industries here, whether they be foreign multinationals or Canadian-owned.

In my opinion it is a very serious situation but one which should be tackled if we really wish to increase the amount of research and development done by industry in Canada, the point at which it is translated into the economy, where it creates jobs and where it benefits the standard of living of all Canadians.

There is another aspect to the attack on this problem, that is, the general proposal to build on our strengths. Where are our strengths as far as research and development are concerned? They are in our universities and in our government laboratories. That is where most of our research and development are carried on and that is where most of our people who do the best work are located. I therefore think we should bring in measures to encourage the transfer to industry of the technology which already exists so that it can be translated into the economy.

Our universities should be working on problems of national concern, in addition to their fundamental curiosity-oriented research. Once they have done this work we should also make sure there are ways to integrate this into the economy so we can benefit in an economic, material way from the application of this research. The same applies to work done in government laboratories. How much of the work which has been carried on in these institutions has really gone into the economy in a way to benefit our industries and our economy? There are many cases in which this has happened, but there are, alas, also many examples to show that the work has not been transferred or, if it has been transferred to industry, that the benefits have not remained in Canada. In some cases it is foreign countries which have benefited from our government research, and our taxpayers which have paid for it.

I realize that the measures I propose are quite wide. I realize a lot has to be done as far as legislation is concerned to implement them, but I feel the proposals brought in under the terms of Bill C-11 are a good start in the right direction. Much more action is needed in this direction to tackle the problem of job creation—long-term job creation, not short-term, stop-gap measures—and we need that action soon.

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I would like to take the opportunity to speak on Bill C-11 in connection with the Income Tax Act because it gives us an opportunity to discuss in considerable detail our economic situation. Certainly our present economic situation must be considered one of the worst we have ever experienced, if not one of desperation. Some people are even calling it one of despair.

By all indexes, as a developed nation, the state of our economy can only be described as in a desperate situation. The Minister of Finance (Mr. Chrétien), just a few weeks after assuming his new post, finds it necessary to bootleg in a budget which has been called an economic and fiscal statement. In fact he has a new budget in all but name. He had only a month or so to prepare this, and while it offers me my first opportunity to wish the minister personal regards on his appointment, it only shows the depth of the necessity which he has attached to these changes. It may be that the Minister of Finance can say, as Hamlet said, "This budget, 'tis a poor thing, but it is my very own". I suspect, however, that in this case he has to carry what he inherited from his predecessor, and we can discuss that, too.

It is true that part of these amendments are a hold-over from the May budget of the minister's predecessor, and it seems interesting that the previous minister of finance was not allowed, or did not wish to finish with the budget he had started. It should have been debated and passed and I think then the public would have been better informed, and we would know where we are going. It should have been done three or four months ago.

There is no doubt about the ballooning deficit. It is now estimated at \$9.2 billion for the fiscal year ending next March, and even more for the next year cannot be considered as anything less than a disaster—and there is more yet to come. Moreover, there is the problem of national unity which arose in an acute form last November with the election of the Parti Québécois and the headlong rush and steady progression of the province of Quebec to an independent, economic state. This certainly does not excite a feeling of economic stability such as we in this country have long been famous for in the international field. The possible negotiation of separation is, of course, a horrendous job. It also indicates that this will spill over into other sections.

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All these political problems give rise to uncertainty as to whether government bonds, federal or provincial, will be met some time down the road. This year the federal government will need to borrow almost enough to increase our national debt by something like 20 per cent. Surely this booming