

If the history of Canadian development could be recorded from the aspect of what the private entrepreneur has done in finding resources and the ingenuity used in developing various types of industries, it would be most impressive. However, not having the capital available for completion, the private entrepreneur has had to sell out. This is indeed a very sad chapter in Canadian history.

This is why most of our industrial development is controlled by people outside of Canada. Far better than developing a Canada Development Corporation, the government should amend its tax restrictions and inhibitions. In this way there would be a far more desirable climate for development. Canada's economy does not need just a little alleviation, \$1 billion or \$2 billion—it needs a complete change. We should buy up companies now in existence. Canada does not need silk gloves or punitive legislation; it needs a tax structure that will create a climate to encourage the investment of our money and savings in our country.

I recall the Prime Minister (Mr. Trudeau), when he first was elected, talking about his objectives. He spoke about creating an economic climate in which Canadian companies could gain strength and vision in respect of new development and competition with multinational companies. Unfortunately, the suggested tax reform measures are still a matter for debate. We were told last night by the parliamentary secretary that these reforms will be brought in by the end of next month.

The policies of the government have accomplished the reverse of what should have been the goal. I do not think we will ever know the extent of the negative reaction the white paper on tax reform has had in the development of this country, or even in respect of the income from taxation which the government received last year. Certainly we have not gone forward with expansion in proportion to our potential. The government talks about the opposition not making suggestions. Rather than creating a Canada Development Corporation, about which I have made several suggestions, the government would have been better advised to reform the tax laws and produce more incentives.

• (3:20 p.m.)

The government would have been better advised had it reformed its tax laws to produce more incentives and eliminated the idea of a capital gains tax. I do not disagree with the principle of a capital gains tax in an industrialized nation. One day it will be necessary in Canada, but all it would do today is take more money out of circulation which should be going back into development investment. We are not yet prepared for such a luxury, we should know that because of the economic situation we face today.

There is another area which should be a very important part of tax reform policy and with which we should be dealing rather than the Canada Development Corporation. I refer to the elimination of the inheritance tax. We do not believe in double taxation. We believe that once a dollar has been taxed, what remains belongs to the individual. Every dollar on which a tax has been paid

Canada Development Corporation

should be left free for investment. It is said that this money falls to the generations who have not earned it; but a person can only eat and consume so much. The balance should go back to the individual Canadian investor to build up this country. This is what made Canada strong in the first instance. But now we are waffling!

Mr. Deputy Speaker: Order, please. The hon. member for Okanagan Boundary (Mr. Howard) is rising to ask whether the hon. member will permit a question.

Mr. Thompson: I have been very generous about questions and I will be pleased to receive a question from the hon. member for Okanagan Boundary (Mr. Howard).

Mr. Howard (Okanagan Boundary): Mr. Speaker, the hon. member said they are opposed to the inheritance tax. Is he stating the position of the Conservative party—that it is opposed to an inheritance tax in Canada?

Mr. Thompson: I was careful to say that tax should be eliminated in respect of all forms of money on which tax has already been paid. Some forms of earnings have not been taxed in the course of normal taxation. I think that type of money should be taxed. But the inheritance tax, as it is now, in many instances is a form of double taxation because it is a tax on money that has already been taxed. I think that form of inheritance tax should be eliminated.

There is another point on which I should like to make a positive suggestion. Instead of having the Canada Development Corporation, it would be much better if the government would provide the framework for a consortium of finance companies, whether they be insurance companies, investment funds or whatever, to come together in order to make available individual and company loans to Canadians through existing financial institutions, to make it possible for them to buy newly-issued common stocks of publicly-listed Canadian companies. There is a precedent for this: we have insured house mortgages to assist home ownership, and farm improvement loans to help farmers. There is no reason why the government should not provide this type of security for much less money than will be involved in the Canada Development Corporation, leaving the incentive where it should be.

Another sound policy in respect of correcting the problem the Minister of Finance (Mr. Benson) said the Canada Development Corporation is supposed to correct would be to amend the Income Tax Act and exempt from corporation income tax the new common stocks that companies issue to finance their corporate expansions, provided that all earnings, less depreciation and other approved allowances—pro rata to the new common stocks—were paid out to the new stockholders. This would enable the new stockholders who have borrowed money to buy stocks to repay their loans and the interest thereon from the earnings of the stocks rather than from their own pockets. This is basically what is done in the United States and it is what makes it possible for the Japanese economy to generate the capital that it has.