

*Income Tax Act (No. 2)*

effects of the proposals of other countries on industries in Canada.

The present proposals, it seems to me, are as misguided as the proposals made by various Canadian governments throughout the years for bribing industry to be more productive and co-operative. Such proposals have almost invariably failed. Over the years, the Canadian tax system has been characterized as being one of the most favourable tax systems in the world to the corporate parts of our economy. The entire government case, if it has a case, rests on the argument that tax concessions to corporations will be effective and will benefit the Canadian people. The government does not argue that it is trying to be generous to corporations for the sake of generosity; it argues that this is good for the nation. Yet there is little evidence to show that favourable tax treatment of businesses and corporations has improved the Canadian economy.

Let us look at what has been done in the past and then examine the present proposal. For a long time Canada was the only country in the world without a capital gains tax. Despite our being excessively generous in that area, this country was sold out at a fast rate because the absence of the capital gains tax encouraged people to sell their businesses. They could make more money by selling a business and taking a capital gain than by running it. That is one example.

● (1600)

In an effort to stimulate Canadian ownership of industry we have had the dividend tax credit in one form or another for many years. During the entire period the dividend tax credit has been in effect it has cost countless millions of dollars to Canadian governments in the way of forgone revenue. Canadian industry was sold out at an increasing pace. It seemed the more we offered, the faster we were sold out. The attempted bribery just did not work.

We have a curious situation in what the minister is proposing at this time as it connects with the dividend tax credit. We have one government policy which is designed to encourage Canadian ownership, to encourage the take-over of foreign corporations; we offer them the equivalent of a 20 per cent deal on their taxable income in order to do that. Then we have the minister saying we are now going to reduce corporation taxes. The principal beneficiaries of this deduction will be the American corporations. They are the predominant ones in the manufacturing sector. We are doing that to offset the DISC program in the United States. The United States is giving up money on one hand to Canadian taxpayers, encouraging them to buy into American industry, and on the other hand making sure it cannot be done. American industry is being encouraged to expand because of tax concessions through a reduction in corporate tax. One policy is going to offset the other.

Takeovers and foreign control will increase. Even the legislation dealing with foreign takeovers will not really touch this kind of problem. Essentially, it is directed toward takeovers of new industries or, later, large industries not associated with those firms at that particular time. It does not do anything about expanding American industries in Canada. The minister is going to help those industries expand by giving them increased profits,

[Mr. Saltzman.]

increased amounts of money with which they can enlarge their operations. It may be possible to justify one tax measure or another, but it is difficult to understand how you can have two contradictory tax measures working against each other.

Earlier today a question was asked regarding the monitoring of sales tax. What has the government done in terms of monitoring the sales tax? Have the savings of industry through a reduction in sales tax been passed on to the consumers? The Minister of Consumer and Corporate Affairs says, "You really cannot expect us to have anything on this in only four months." He does not know when they are going to have something. This is a relatively simple thing to monitor. Monitoring the effects of the sales tax is relatively simple compared to monitoring the reduction in the corporation tax and all the avenues through which it leads.

The government says that in one year the Conservative party will have an opportunity to review this measure. By that time, they say, some information will be available. How in the world will they have information available on anything as complex as a reduction in corporate tax when they do not even have information available on the effects of reducing the sales tax, something which is relatively simple? I do not see any way in which that promise of the government will be kept. Even if the government wished to keep its promise, how could it with any degree of accuracy come back to this House in one year and tell us the effects of a reduction in corporation tax?

For many years the effects of accelerated depreciation have been argued. Different governments have brought in accelerated depreciation: this is not the first time. The effects were never understood. There was never really any evidence that accelerated depreciation accomplished the objective for which it was designed. On one occasion in this House when he was a backbencher, Mr. Benson, a former minister of finance, spoke in a very straightforward way about accelerated depreciation and what a gift this was to corporations. As minister of finance he exercised a great deal more restraint.

We are faced with the problem of assessing the matter. As we have not been able to assess it in the past, or perhaps we have not wanted to, I do not think we will be able to assess it in the future. Among the benefits we should expect from companies operating in Canada, whether foreign or domestic, are not only jobs but tax revenues. It is not good enough to say the concessions will provide jobs. If the concessions are large enough, obviously they will provide jobs. But at what cost? If the provision of jobs creates pollution, you do not get any tax revenue or people are taxed enormously at the personal level, some of the jobs have very marginal value. Jobs could certainly be provided at a very much lower rate if the government took over some of these enterprises.

The hon. member for Edmonton West referred to recaptured depreciation. He followed the government line. I was not sure whether he was in favour of or against it. He said deferred taxation was a free loan. At the very worst you can consider it a kind of loan to industry in order to expand productive facilities. If we are going to be in the business of giving out free loans—