

*Income Tax Act*

[English]

The notorious hot money flows which can lead to runs on the currency of a particular country are an example of the operations of the Eurocurrency and of the Eurodollar market. The existence of numerous tax havens and tax shelters, convenience banking islands such as The Bahamas and the Cayman Islands are manifestations of that same system, and of the degree to which international finance is adapting to accommodate those Eurocurrency transactions and those Eurocurrency reserves.

It is unfortunate that there have been comparisons with the American experience, because the reserve requirements and the restrictions on interstate banking in the United States render Canada's situation very different from that of the United States, to the point where it would be unwise to draw comparative conclusions. Our fear is that loans that have a significant risk element will continue to be put through the normal channels, and only the safe loans will go through those international banking centres.

In looking at this legislation we have to ask the following questions. Will there be any real economic benefits in the form of jobs to the centres of Vancouver and Montreal, or is the federal Government simply undertaking a measure that is designed to stroke the leaders of those two financial communities and convince them that they are getting something for nothing when, in fact, they are not? What will be the real size of the tax expenditure involved, particularly at a time when we are looking at tax reform and when there is \$28 billion of other federal tax expenditures out there, essentially unaccounted for, although we have an idea of their order of magnitude?

Given the profit picture of the banks, should we be doing anything to benefit institutions of that size? I say this not to call down the banking industry, but to point out that over the past years job creation has almost exclusively been the preserve of small and medium sized business. The job creation record of Canadian banks would not bear comparison with that of small business as a whole.

I could on at some length on this whole question. It brings into play the matter of the free trade agreement. I want to hold my fire on the free trade agreement until the Government can state with confidence, and produce the evidence before the House, that it really has a free trade agreement.

I simply wish to point out that the three centres around which discussion has hinged in this debate are those of Toronto, Montreal, and Vancouver. The whole problem that I see with the operation of a free trade agreement is the danger of centralization of the Canadian economy. It is not that the legislation to create international banking centres is inequitable; it is obvious that both Vancouver and Montreal are far more in need of economic stimulus, even in the financial industries, than is Toronto. But what we will see under the move to a free trade environment, which undoubtedly this international banking legislation is designed to harmonize with, is a centralization of the Canadian economy that will

lead to a reduction in jobs, and a reduction in economic opportunities in the smaller communities of Canada, and quite possibly in most communities in Canada outside of those three centres.

Yet we should never fall into the trap of believing that because there may be job creation, and certainly centralization of industry in those three centres, that the people who live there will actually benefit from the results. I believe that when there is excessive centralization of an economy, the benefits of productivity and job creation are extremely vulnerable to being outweighed and overburdened by the simple physical strains expressed as financial constraints that occur in the major areas of centralization.

Thus it is today that we have situations such as that in New York City where I was told by one of our own civil servants if I was looking for a nice *pied-à-terre* I could perhaps view the penthouse in his apartment block. The owner had just reduced the price by \$1 million, from \$5 million U.S. to \$4 million U.S. in the hope of getting a quick sale.

I hope that we as Canadians never adopt the measures that will lead us to the type of future where those real estate prices combine to gut cities of their population, force people ever further out into expanding remote suburbs, and eventually deteriorate the quality of life for the majority of people who live in the major centres that will benefit from free trade legislation, as they plan to benefit from this legislation.

**Mr. Layton:** Mr. Speaker, I thank you for the opportunity to participate in this debate. I feel it is important that the House realize that reports and impressions that have been given to the public over the past day or two by the press are both incomplete and incorrect. They have been filled with comments from one side of the argument and the proposition that we are discussing today as part of Bill C-64.

Many years ago the international banking centres idea was first advanced from the community of Montreal and endorsed and reinforced by the community of Vancouver. It has been studied and analysed. The Standing Committee on Finance and Economic Affairs conducted a major study of this concept. Our visits to New York developed a wealth of information that concluded under the limited circumstances that would be allowed for those banks that there would be a limited opportunity, and therefore a limited number of jobs. That did not change the fact that when the committee came to its final statement, its recommendation clearly established that it was a good idea, it just was not developed far enough; the Minister should consider other ways of increasing and improving the success or the effectiveness of this idea.

**Mr. Cassidy:** Not true.

**Mr. Layton:** The committee report went on to state that one particular requirement, our second recommendation, was that we should negotiate withholding tax agreements with other countries to make this idea more successful. Under those circumstances, the banks would be more competitive. This