

Supply—Finance

This is certainly one of the effects this new tax will have—the dissipation of privately amassed capital. The report noted that Canada came immediately after Great Britain and the United States among countries paying estate taxation. The percentage of total government revenue raised by estate taxes in England stood at 3 per cent, in the United States at 2.6 per cent, and in Canada at 1.8 per cent. West Germany has a low estate tax rate of .1 per cent. It may be a coincidence, but it is a fact that West Germany has the lowest estate tax rate and the highest rate of economic growth in the world today.

I feel sure that the figure of 1.8 per cent of government revenue in Canada will jump considerably when the new system is imposed. In Alberta, my native province, we do not have an estate tax. This new proposal therefore is of tremendous interest to the people there. The effect of this proposed new estate tax on the family farms and ranches of this nation is beyond comprehension. At current land values, that are based almost entirely on demand rather than on their relative productivity, we find that farms are valued far higher than their production figures would indicate. I do not think it unreasonable to say that a great many of our average family farms will fall into the valuation rate of \$200,000 to \$300,000. Our maximum estate tax rates begin at \$300,000, and what family farm can afford to pay a quarter, a third or half of its total value on passing from father to son? Our farmers are forced to pay 7½ per cent interest to buy farms. Much of our farm legislation is geared to phase out the smaller farmer and to create larger economic units. Now we have estate taxation which will serve to eliminate the economic units that have already been created. Under the present financial conditions, economic farm units cannot be created in one generation, nor would it be practical to have a whole new group of people on the farms in each succeeding generation.

With the present complicated agricultural technology and with the large amount of capitalization that is necessary today to carry on an efficient food producing agricultural unit, it is vitally necessary that estate taxes be reduced instead of increased so that farms can be easily passed from father to son. The fact that a farm can pass tax free to a spouse is of no value so far as keeping the family farm in business is concerned. The average

widow would not care to carry on the business in the event of her husband's death. Most farms carry a large amount of debt during the life of the farmer. To saddle the farm unit with taxes upon his death that might be equal to a third or half of the value of the farm would mean liquidation upon death.

This proposed change in the Estate Tax Act is one of the most vicious ever devised aimed at family farms and family businesses in general. I appeal sincerely to the minister to reconsider the whole estate tax structure.

Mr. Otto: Mr. Chairman, I should like to congratulate the hon. member who just spoke on making a truly conservative speech—not a Progressive Conservative but a conservative speech, and we have not heard one of those for a long, long time. At least the hon. member stands on a principle, and does not hide under any progressive label, as do some of the other members in his party. This is what we are expected to listen to as complaints against the estate tax. First he decried the disappearance of inherited privilege from father to son. He lamented the disappearance of family corporations that have been built up through generations. He also described tragically the disappearance of privately amassed fortunes. Every civilized nation is turning toward a denial of inherited privilege. We acknowledge that people who are working today in this productive society are entitled to reap the benefits of their work and earnings, but to be entitled in perpetuity to reap the benefits of one's great great grandfather, who might have been a whaler and amassed a fortune a hundred years ago, is certainly a denial of the forward looking ideas in this modern world.

Mr. Thompson (Red Deer): What about the Prime Minister?

• (4:30 p.m.)

Mr. Otto: I mentioned that I believed a person is entitled to live on and enjoy the production resulting from his own effort. There is no one in this house who is more productive or more able than the Prime Minister. I am sure hon. members did not mean to cast aspersions on him.

An hon. Member: Just his inheritance, that is all.

Mr. Otto: As I said, the world is turning away from inherited privilege in many areas. For example, in the seaboard states of the United States there are people today who