Mr. Penner: I hope that unnecessary intervention will not be subtracted from my time, Mr. Speaker. I will say something about Bill C-84. I would like to concentrate my attention on three objectionable aspects of Bill C-84. First, there is the partial deindexation of the tax system. Second, there is the reintroduction of an exemption from taxation of capital gains. If time allows, I would like to say something about the effects of Bill C-84 on the tourist industry.

I have mentioned in this House before, with respect to the indexation of the tax system, that this idea was first brought into the precincts of Parliament by no less an outstanding Canadian and parliamentarian than the Hon. Robert Stanfield. At that time the Minister of Finance, who is now the Leader of the Opposition, engaged in a national debate across this country about whether indexing the tax system was valid. He played the role of devil's advocate and gave some speeches to the contrary, but Canadians convinced him that it was a fair reform measure in our tax system. Parliament subsequently introduced it in a Budget that he brought in.

To do away, even partially, with the indexation in our tax system, to deindex it partially is, I believe, to take that slow tedious process of tax reform and to put it into reverse gear. The Leader of the Official Opposition has called this measure a sneaky one. I do not think that is unparliamentary, Mr. Speaker, because if you take a look at what it does, you will find that it is actually rather sneaky, because in 1985 what you have with this measure is just a small tax bite. You take out $80 million out of taxpayers' pockets in 1985, and in the year in which we are now that tax bite gets a little larger because the amount goes up to $635 million. From the calculations which have been done for us we note that by 1990 what began as a tax bite becomes one huge tax grab. Somewhere close to about $5 billion will be taken from the taxpayers' money.

• (1240)

Regarding this measure, one commentator has said that in the future, there will be a cloudburst of tax increases, and another described it as being a time bomb built into our tax system. After looking at Bill C-84, the Consumers' Association of Canada stated that the tax changes introduced by this measure will create a new kind of poverty in Canada, the middle-income poor.

Most Hon. Members will know that about one-half of Canada's economic growth was directly due to consumer spending on goods and services. With millions of dollars, soon to be billions of dollars, being taken from consumers' pockets, do Hon. Members who are supporting this Bill not think that there will be a setback in the economic recovery that they said they would encourage if they were elected to office? There is bound to be a setback.

The purchasing power of middle-income earners, because of Bill C-84, will be eroded. True, this erosion will begin slowly but it will increase as we move through the 1980s and into the 1990s. That is my first strong objection to this Bill. I am glad my colleague, the Hon. Member for Saint-Henri-Westmount (Mr. Johnston), moved to have the deindexation clause in Bill C-84 removed in order to retain what is a very strong reform measure in our tax system designed to protect taxpayers against inflation so that the Government is not able to live off the avails of inflation. If the Hon. Member for Lévis were here, he would be interested in hearing my comments.

My second objection has to do with the reintroduction of the capital gains tax exemption.

Mr. Vincent: Order.

Mr. Penner: Don't get too excited. he is the one who raised the issue.

[*Translation*]

Mr. Vincent: On a point of order, Mr. Speaker. I think the Hon. Member knows very well that reference should not be made to the presence or absence of Members in this House, and I find it very unfortunate that we have to call that to their attention almost every day.

[*English*]

The Acting Speaker (Mr. Paproski): I believe the Hon. Member realizes that, and I do not think it will happen again.

Mr. Penner: The Hon. Member for Lévis had drawn me into the debate and I was anxious to reply to him. I neglected to note that he had left the Chamber. I apologize.

Some Hon. Members: Oh, oh!

Mr. Penner: All Hon. Members who follow requests for changes in our tax system will know that in the business community and in financial publications, there has been for a long time now a request for the ending of the capital gains tax. In speeches and in various publications, business leaders have said that this particular form of taxation ought to go, and in arguing that it ought to go, they have presented a rationale or justification for it. I would like to summarize briefly that justification.

The rationale is that if we were to abolish the capital gains tax, there would be a higher level of personal investment and risk capital formulation. If we removed the capital gains tax, we would encourage Canadians to rethink the way in which they invested their money, a way which tended to be primarily through term deposits or Canada savings bonds. Rather than using those instruments for investment, the abolition of the capital gains tax would encourage people to put their money into private or public equity, more risk taking would be encouraged, and the flow of investment capital into areas of the economy that would show the greatest promise of job creation would be enlarged. That is the justification for that measure. However, there are those who counter these arguments. I refer specifically to Professors Brooks and Peltomaa who, in 1979, wrote a publication entitled *Canadian Taxation*. On page 7 of that publication, they said:

> The tax reform process in Canada clearly reveals that even the most ludicrous of ideas, if supported by business interests, are often acted on by the Government.