

population. We have recognized the value of home ownership in our treatment of capital gains, now ravaged by inflation. We are allowing a once in a lifetime sale of a principal residence without capital gains and are allowing rollovers from one dwelling to another where the owners must move in order to carry on their occupation. This legislation very much complements the capital gains treatment of houses already in effect. Housing was essentially exempted from capital gains as a means of encouraging savings in home ownership. This legislation only endorses this.

I should like to read into the record an extract from this week's *Newsweek* of November 19, a comment by Mr. Milton Friedman on what the eighties will bring for the United States; I think it could be applied to Canada, also. Speaking of inflation, unemployment and big government, he said that while these were important they were only manifestations of more fundamental issues—the values that will shape our society. He went on to say:

Individual responsibility, equality of opportunity, personal freedom, limited government—these were the values of our Founding Fathers. Their counterpart is an economy organized predominantly by free-market capitalism and a government that is small and decentralized.

These values have been giving way to a very different set: social responsibility, equality of outcome, personal welfare, paternalistic government. Their counterpart is an economy organized predominantly by central direction and a government that is large and highly centralized.

The conflict between the two sets of values was at first not evident, but is now plain. No one can fail to recognize how greatly the role of government has changed, how much of our lives it controls.

There is concern about the family. Defenders of the new values blame capitalism. Its emphasis, they say, on rational calculation, material success, competition, exchange, undermines traditional nonrational institutions such as the family and church. But why should these effects show up only now, when capitalism is on the decline? The growth of government has done far more to undermine the family in the past 50 years than these amorphous effects did in the preceding millennium.

• (1520)

The conflict affects every aspect of our life: family vs. government; private vs. communal property; free v fair in speech, employment, trade; free choice as consumers vs. government protection of ourselves from ourselves.

The key issue of the 1980s is whether we shall be able to do so, and thereby reinvigorate the human freedom and economic freedom that together have made the U.S. a magnet for the poor and oppressed people of the world—or whether we shall succumb to creeping collectivism and become a totalitarian society.

I suggest that this bill regarding home ownership goes a little way toward making it possible to allow individuals to own their own homes.

There has been a great deal of discussion and argument that this proposal puts renters at a disadvantage. I cannot follow that argument. I believe it is specious. After all, when the renter gives his monthly rent to the landlord, the landlord is allowed to deduct local taxes, utility costs, maintenance costs, depreciation, and interest on any mortgages he may have on his property, before declaring his net income to be taxed.

It is well recognized that rental housing must return a net return to the landlord if housing stock is to be built. As much of housing stock is financed by large institutions such as insurance companies, workers' benefit funds and registered retirement funds which are the savings of millions of Canadi-

ans, these institutions must have a return on their investments which they put into rental housing in order to provide the pensions and savings by which the millions of individual Canadians, through these institutions, expect to meet their daily necessities when they can no longer work.

So, in effect, this legislation gives to the individual home owner something which has long been available to the renter in any case. If local property taxes, interest on mortgages and utility costs were not deductible by the landlord before paying his income tax, the cost of renting would be enormously greater for the renter than it is at the present time. Obviously, by making home ownership more attractive to people who are now renting, this should have a moderating effect on rents in the next few years, until a new equilibrium is established.

Much has been made of the fact that since the election interest rates, having continued their upward climb which had started long before May 22, have cancelled out the value of this home ownership rebate plan. There is no correlation between the two. Interest rates are a response by the country to two things. The first is the set of conditions abroad, particularly in the United States where, for the first time in a decade, they are coming to grips with the inflation problem. In Canada, with the long years of Liberal government, particularly since 1968, and with deficit after deficit, particularly in the last five years, we have spent our way into inflation, which must be brought under control or we will face a catastrophe, destruction of our financial institutions and the loss of savings in our banks and other paper instruments, such as happened in Germany after two world wars.

Interest rates are high, but this only reflects the fact that inflationary expectations are also high. Long experience has shown that interest rates are a combination of the real rate of about 3 per cent and the expected inflation rate. It seems to me that the Bank of Canada was to set the rate somewhere in line with what market forces dictate. If the bank was too far out, market forces would dictate otherwise. If, for instance, the bank set a ridiculous rate of 25 per cent, on the one hand, or 5 per cent on the other, market forces would entirely disregard what the Bank of Canada had stated as the prime rate. The bulk of lending would be at rates which would totally ignore the bank. We have an example of this: certain mortgage institutions have lowered their interest rates.

Interest rates in themselves will not cure inflation unless there is a corresponding reduction through other means. One of the greatest things to reduce inflation would be for the federal government to get the federal deficit under control, and that certainly can be done.

The comment has been made that rising interest rates cancel out the home ownership rebate of taxes and interest. In fact, the two are not related in any circumstance.

When the Conservative administration took over from the Schreyer government in the province of Manitoba, provincial finances were such that almost \$1 in every \$3 that the provincial government was spending was being borrowed. Every year the difference between the taxes collected and the money spent by the Schreyer administration was widening,