

Income Tax Act

go through the prospect of facing fluctuating interest rates, producers, particularly those in the cattle business, cut back. This move does nothing to help inflation because it is felt on the supply side. One of the proposals which make sense is the extending of the Small Business Development Bond to unincorporated businesses, such as farmers and ranchers. Regardless of whether farmers and ranchers are incorporated, they need large amounts of capital to operate. The amount necessary has increased dramatically over the past few years, and there is every indication that it will continue to increase.

● (1600)

As we become more productive in agriculture, more capital will be needed. It would make sense with regard to the supply side if people were encouraged to be more productive. However, in this instance more money at a lower cost will be necessary. I urge the government to extend the Small Business Development Bond to small unincorporated farms, ranches, and other small businesses. The mere fact that farms and ranches require vast amounts of capital to operate is a good indication, if the government is serious about fighting inflation on the supply side, of the need for extending the Small Business Development Bond to unincorporated farms, ranches, and other small businesses.

[Translation]

Mr. Bussières: Mr. Chairman, I should like to remind the hon. member, if we are to situate the problem in a very broad context, that he stressed the need to encourage the production of goods in order to reduce inflationary pressures. It must also be kept in mind in the discussion of the inflation phenomenon that the argument is often made that huge government deficits feed inflation. This means that implementing the suggestion of the hon. member, that is spending more, would lead to an even greater deficit and therefore more inflation. I feel that no phenomenon should be studied singly, no problem solved in isolation. Instead, we must view the over-all economic situation in which we live. I indicated that this government being committed to reducing its deficit, its spending had restricted the application of this costly measure to the most urgent problem in present economic circumstances, that is, to the creation of jobs. That is why this bond applies only with regard to investments in the development of businesses.

As for the matter of interest rates which the hon. member for Kamloops-Shuswap brought up a few moments ago, the provisions of this bill do not provide for a formula on the basis of which to set interest rates. The businessman who wants to avail himself of this section of the law will have to see the representatives of those institutions that are authorized to participate in such a program and negotiate his rate or shop around for the best rate available, as some will be higher than others, and settle for the one he feels is the most attractive.

In fact, the tax advantages offered by this provision are primarily intended for small businesses because they are the ones we want to help. Of course, lending institutions will also

derive tax benefits, which is one way of encouraging money-lenders to take an active part in handling those bonds. But the prime advantage is not meant to go to lending institutions. The benefits provided for here are meant to encourage small businesses to borrow and invest in their expansion.

[English]

Mr. Murta: Mr. Chairman, very briefly I would like to reinforce the point made by the hon. member for Portage-Marquette with regard to the government giving consideration to extending the Small Business Development Bond to cover unincorporated businesses, including farms. We have rapidly reached the point in time in Canadian agriculture where the Farm Credit Corporation is becoming a secondary vehicle in the lending of money to agriculture. It is probably due to the tremendous amounts of money required in the agricultural industry. The government must be in a position to move in and, at least, guarantee loans made in the traditional way, particularly loans to younger farmers who wish to borrow from banks, credit unions, or caisses populaires.

I know of no other industry like agriculture which is made up of both small and large components all of which need tremendous amounts of capital. The United States is in the process of recognizing this problem. In some states a program in the form of agricultural development revenue bonds has been introduced. I have copies of the proposed bond. For example, the Alabama Agricultural Development Authority is considering this particular bond as a means of raising money in the marketplace to supplement the capital which will be needed in agriculture, without the government becoming heavily involved.

Obviously, the entire concept would not apply in Canada, because of the different tax structure and a number of other differences. Such a concept though may apply in the long term viability of Canadian agriculture. If the minister is interested, I would be happy to send him or his officials copies of the material which I received from Alabama. This material points out that there are methods, other than our traditional method of the Farm Credit Corporation, of providing the necessary amounts of money.

The Farm Credit Corporation literally ran out of money well before the end of its yearly mandate. If agriculture is to survive as a viable, prosperous entity in the 1980s, something must be done. While the minister is correct when he says that there will be an additional increase or draw-down from the federal treasury for small businesses, including those in agriculture, and considering that these people are looking at interest rates at from 19 per cent to 20 per cent, will the minister not consider extending the small business development bond to unincorporated small businesses and particularly unincorporated farms?

I know of many incorporated farms which are applying for the bond. Provided the tax system of taking half the interest rate offered and adding two percentage points to it favours these businesses, there is no question that the small business development bond will help. In the interim, until the House, or possibly representatives of all parties, working with the minis-