

government was the producer of the bonds, and the only place one approves of a ceiling is on what someone else has to sell, not on what one produces. So investors have bought government bonds at inflated levels, and the return on their investment has been cut about in two, while increased taxation has almost reduced this income by half again. In the meantime, nearly all other groups have had some increase in take-home pay in recognition of the increased cost of living, the white collar group least of all. As a measure of great solicitude, the minister now offers the poor retired widow, who may or may not have children to educate, relief by way of increasing the exemption from the special surtax of four per cent on investment income from \$1,500 to \$1,800. In other words, this munificent concession, after all he has done to the retired man with a small income on which to keep himself, is to give him relief from the four per cent surtax on \$300 more of income or, Mr. Speaker, \$12 per annum, about the price of a new pair of shoes. Obviously the minister did not have the wealthy investor in mind. I hope he did not spend too much time in working himself up to this pitch of generosity.

Turning now to the corporation tax, we find there is no implementing of the now well recognized unfairness of the double taxation of business earnings, first in the hands of the corporation and then, what is left of the same earnings, in the hands of the individual. The latter is the only one who can consume these earnings; and it was confidently expected that the government would at least make a start in eliminating this feature of double taxation which is generally conceded to be unfair. As with so many other aspects of the budget, one must continue to live in hope. The reduction of the minimum corporation tax from 40 per cent to 30 per cent, though this may only make way for a provincial levy, was a needed step. The ordinary corporation tax was 18 per cent at the outbreak of war, and the additional 22 per cent, making 40 per cent in all, was taken from the Excess Profits Tax Act. This is once again proof that this tax—because even if a business earned less than before the war the higher tax prevailed—was always a misnomer. It was really—and I am sorry the previous speaker is not in the chamber at the moment—an excess tax on profits. A tax of 30 per cent or more on business is still a high tax, but we cannot spend on social services if we do not tax, and business will do its best to create jobs under the present imposition, thankful even for small mercies.

The excess profits tax was a fair one in many respects, because no one should be allowed to profit from the emergency and sac-

rifice of war and from the forced spending in unlimited volume caused by the war. Today's business is no longer the result of war expenditures, and the average 1936-39 earnings on which the excess profits tax is based has become an anachronism. Just as the island of Manhattan was once sold by the Indians for \$24; just as valuable farms in western Canada were once free homesteads, you cannot turn back the hands of time. It is particularly hard on young businesses, and ten years is a long period in the life of any company. Great Britain has recognized these facts and is doing away with the excess profits tax at the end of 1946 and, of course, Great Britain has no corporation tax as we know it. The United States did away with the excess profits tax at the end of 1945. Only Canada is left with this deterrent, to be 15 per cent additional to the ordinary corporation tax of 30 per cent in 1947, a deterrent particularly to small and growing businesses. How can they expand and create employment if they cannot plough back any earnings, just as a farmer ploughs back a crop of clover.

Let me give an example of why Canada cannot afford a substantially higher corporation tax than obtains in the United States, much less an excess profits tax which that country wisely abolished. There are over \$4 billion of American investment in Canada, much of it consisting of investment in branch plants. If the American company finds that it can get more profit after tax, retained profit, from its American plant than from its Canadian, it is quite obvious where any goods for export are going to be made. Employment is thus created in the United States which otherwise would have gone to Canadian workmen. Another manufacturer informed me of a developing export business with Newfoundland in competition with firms in the United States. Since the American was allowed, under their tax system, to retain a larger share of his profits he could quote a closer price than the Canadian and hence the business went to the United States.

In his budget remarks the minister said, "this tax has distinct weaknesses and limitations in normal times and it is not to be accepted as a permanent part of our tax structure. Experience, however, has shown, he says "that we are still living in highly abnormal times, the shadow of war is still upon us." What of the United States, and what of the not to be compared strains and uncertainties upon Great Britain?

Is it likely that we shall ever live in a complacent world? Let Canada get back to a fiscal basis on which she may proceed and progress. The difficulty which the minister faces