

Income Tax Act

made by the Carter commission. The problem, as the hon. member concedes, is a difficult one because everyone who works must incur some sort of expenses in earning his income. Even a bookkeeper probably wears out his clothes in a rather special way because of his occupation. It is a question of degree.

The other problem which arises in connection with this proposal is that to the extent expenses of this kind are accepted the general rate structure has to be adjusted to make up for the loss of revenue. If this is generalized too far, what we are really doing is something along the lines of the practice presently followed when we allow an extra hundred dollars as a deduction for charitable and medical expenditures, and it is possible to move in this direction very quickly if the precise expenses allowable are not defined very carefully. Having gone through such a process, the result is simply a change in the basis of the exemptions, and the decrease in revenue has to be offset by a corresponding increase in taxes.

For these reasons we have yet to reach a conclusion on the recommendations of the Carter Commission, not only in this particular respect but with regard to a number of other subjects dealt with in the report. Taxation is an integrated whole and any change in one direction makes changes in another necessary unless the general level of revenue is to be affected.

The hon. member again talks about a difference in treatment as between corporations and individuals. This is a question we had to examine carefully when we were determining the changes to be made in order to bring the budget closer into balance next year. The choice we made, as will be seen from the bill, was to impose a group of increases which would cause, we hoped, the minimum undesirable effect on the economy, that is, the minimum effect upon the spending power of the public or of business. We selected these revenue measures so as to distribute them in such a way that the effect on levels of employment would be minimal. To this end we put on excise taxes, a small surtax on individual incomes, eliminating it at the bottom of the scale and tempering it at the top, and then a very large cash drain upon the corporations.

We concluded we could do this without disturbing business investment too greatly, and we wanted to keep business investment at a

maximum because it is not rising very quickly now in this country and it is very desirable in the interest of employment that it should. We had to raise revenues in some way in order to reduce our demand on the capital market, which is the central problem facing the government in the coming year, and we decided that the mixture to which I have referred would produce the maximum amount of revenue while causing the minimum undesirable effect upon the economy.

This is all a matter of judgment. I do not think it is ever possible to satisfy all the criteria. We have been going through a most interesting and unprecedented series of incidents related not so much to domestic affairs as to world conditions. We have been living in the most troubled period internationally that the world has seen, I think, since the twenties, and the problem in these circumstances is to take measures which do the least damage to the Canadian economy while producing the maximum benefit.

There is no ideal way of doing this. Members of the New Democratic party seem to suggest that we can meet present circumstances by continuing the kind of policies which were followed for a number of years when we were living in a relatively stable international environment, when interest rates were low and when it was easy to obtain foreign capital. These are no longer the circumstances. We are today living in a world where capital is short, and as long as the war in Viet Nam continues this will probably continue to be the situation. We have to choose our policies accordingly. I do not say we have found the ideal combination, but the opposition should recognize the nature of the problems which face us and not base their arguments upon a world which does not exist. I suggest, therefore, that the proposals made in this bill are appropriate, however undesirable they may be from the point of view of the taxpayer and of each of us as members of parliament.

• (5:10 p.m.)

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, I had not intended to embark on another speech but when I heard the nonsense uttered by the Minister of Finance I felt something had to be said. I notice he did his usual trick in dealing with a very serious and substantive problem to many workers in this country. My colleagues, the hon. member for Skeena and the hon. member for Timiskaming, both mentioned the