

than any others of the burden imposed by inflation on persons of fixed incomes. I find it interesting that the hon. member, who was a parliamentary secretary and who is now an entirely private member on the government side, should be drawing attention in such clear and unmistakable terms to the evils of inflation. The government, it would appear, has only recently been convinced of the seriousness of this problem, if we are to judge by the nature of the program it is advocating. Even three years ago we were brushed off whenever we drew attention to the dangers of inflation. I am glad to note that the hon. member for Fort William (Mr. Badanai) has come to the side of the growing number of people in this House who say that all else matters nought—that first, we must deal with inflation. This has been said by speakers on this side of the House for a long time—even before the change in pension arrangements made in 1964.

It seems to me, however, that the hon. member is destroying the equity of the tax system. It is proposed in the white paper that the system should be made more equitable by increasing the personal allowance to \$1,400. I am not satisfied that this will be the result, because the \$1,400 applies to a person who is in receipt of a very modest income as well as to a person who receives a very substantial income. Thus, in effect, the additional \$400 exemption should be chargeable to the well-endowed taxpayer at his marginal rate.

● (5:20 p.m.)

The benefit bestowed by the \$400 can be very high, as much as 50 per cent under the new rates. In other words, the tax benefit to an individual at the end of five years will be to the extent of \$200. The additional \$400 per taxpayer in the more modest income class can mean an \$80 benefit if the tax rate is only about 20 per cent.

I would have been much more interested in seeing the hon. member put forward a proposal for a tax credit at the age of 65. I am referring to a tax credit which can be computed as a target rate, shall I say, for a mean income. By that I mean a standard income, not the very modest or low income. It would be more valuable to persons of lower income.

Let us suppose you give \$150 in cash by way of a tax credit to a man who has an income of \$3,500. These figures are taken out of thin air purely by way of illustration. This sum would represent to this person a nice little gift. On the other hand, in the case of a

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person of the same age and with the same entitlement, but whose income is \$15,000, what does this \$150 mean to him? To this extent a payment or tax credit to the taxpayer of more modest means would tend to make the tax system more equitable.

This is a personal view, Mr. Speaker. I have a preference for the tax credit system over a personal allowance. It is contended that a tax system must be equitable, but my own view is that the tax system must not inhibit economic growth. If it does, then it becomes very difficult even to maintain equity within the system. Equity is important, yes—terribly important; but I do not think it outranks all other considerations, as some people have indicated.

I also wonder whether or not the hon. member should have put a dollar figure on his proposal. For example, how many taxpayers would there be at age 65—in this particular case, at age 70—who would receive this exemption? If millions of dollars of revenue were lost or diverted as a result of this proposal, where would it go? We must bear in mind that income tax yield seems to be an inflexible figure. Certainly the record of this government indicates that expenditures per annum are going to rise, notwithstanding the fact that there have been all sorts of promises made about revenues being held to the line. In 1968 the present Minister of Finance (Mr. Benson) guaranteed that the budget would be balanced and that government expenditure would remain the same. Although there was no decline in revenue there was a short fall of over \$700 million. Therefore, I find it a little difficult to accept that any revenue saved from this particular group of taxpayers would not be transferred to some other group.

If this is so, I would like to know whether this group is going to be the middle income group, or is it going to be that very high income group that apparently the Minister of Finance has recognized is so limited in Canada that additional taxes on the group would yield very little? This is why the middle income taxpaying group is being distinguished in the white paper as the target for ever-increasing heavy taxation.

We must remember that the so-called wealthy people described in the white paper are those who earn from about \$10,000 to \$24,000, and I am just wondering how many people in this country earning between \$11,000 and \$13,000, those who find themselves in this so-called wealthy class and are the first to disclaim that they are wealthy, are