

*The Budget—Mr. Marshall*

clothes themselves pay the penalty of sales tax on yard goods, patterns and notions.

Next, let us discuss an alternative to the present tax reform proposals. This alternative is perhaps the most obvious one I could mention—the negative income tax. The negative income tax was proposed in the United States by the economist Milton Friedman. His proposal started with the premise that families who earn too little to file a tax return are also deprived of the automatic exemptions for each member of the family and the deductions for medical bills, and so on, which amount to tax savings. To compensate, Friedman suggested a family reporting no income should be paid an allowance which would be equal to half the sum of the standard tax exemptions and deductions. Thus, the scheme would be a reverse income tax. If a family reported a nominal income, the allowance would not be cut off; it would simply be reduced by 50 per cent of each income dollar earned.

The essential idea of a negative income tax, then, is to extend the operation of the personal income tax structure by having the federal treasury make payments, based on negative rates, to people with incomes below some specified poverty line while collecting positive taxes from people whose incomes are above that line. Negative income tax proposals are only one form of that family of proposals loosely grouped together and called guaranteed annual income schemes. These schemes have in common the aim of supplementing incomes in an attempt to raise and keep all incomes above the poverty line.

Currently, the most seriously discussed guaranteed minimum income schemes would operate like Friedman's original proposal, through negative rates being applied through the income tax structure—but individual plans vary immensely. The advantage to be gained through implementing a form of negative income tax would be felt not only by the poor but also by the Minister of Finance in his job of controlling stabilization policy.

This brings me to government welfare programs. I have examined the poverty problem in Canada. I think it can be seen that this budget and tax reform measures are not the anti-poverty measures they are claimed to be. I have pointed out the alternatives open to the government if it is serious in its attempts to alleviate poverty in Canada through budgetary and tax reform measures. Now we should look at the present and some proposed anti-poverty, or so they are called, programs of other government ministers in an effort to see whether present and proposed federal anti-poverty schemes are so superlative in combating poverty that any efforts by a finance minister to attack poverty are redundant.

In 1965, the stated goal of the Liberal government was to eliminate poverty. It would be expected, therefore, that programs from that date would have had a chance to make sufficient headway that poverty would have been progressively diminishing by 1971. The 1965 expression of the Liberal goal to eliminate poverty came in the Speech from the Throne. It stated:

All the great potentialities of our economy are not, however, being realized. The talents of some of our people are wasted because of poverty, illness, inadequate education and training,

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inequalities in opportunities for work. To combat these, to improve the opportunities of people who are not at a disadvantage, is to put power in our economic expansion and to enhance the unity of our country. My government is therefore developing a program for the full utilization of our human resources and the elimination of poverty among our people.

Yes, the goal was clearly stated. The aim was nothing less than the elimination of poverty. Some of the means of achieving it were spelled out in broad general outline, including regional development, manpower training and education. In November, 1970, in the white paper on income security the government reiterated its belief that the operations of such services were important and effective in combating poverty. They said:

Manpower, education and economic expansion policies are intended to promote the development of higher paying employment by equipping people with better skills and more physical capital, by creating new jobs and by providing more information.

Between the 1965 Speech from the Throne and the November, 1970, publication of the white paper, therefore, it would appear that Liberal government programs established to eliminate poverty have been making considerable progress. But this is not borne out by the facts. In fact, these services are ridden with faults and are far from being the anti-poverty devices that they are billed. As for example, the Manpower program is not an anti-poverty program although in the white paper the government is trying to present it to the public as one. The Manpower program is more oriented to help employees rather than potential employees. It also has been accused of having a bias against those with the most need for rehabilitation and education.

Education is another area where not enough is being done to help poor people, especially poor children. Where are the programs designed to ensure that these children can cope with the demands of the school system? The success of regional economic expansion policies in alleviating the plight of the poor is highly questionable. To date, these schemes have chalked up a spectacular record, not of success but only of failure and wastage of the taxpayers' money.

But these programs are not the only ones designed to reduce poverty in Canada. The white paper also states that "basic to the elimination of poverty is the buoyancy of the private sector of the economy and the effectiveness of government growth and stability policies". All of us here know how empty is the economic growth jargon of the Minister of Finance and his confreres. We know that in 1970, the year in which the white paper on income security appeared, the economy grew at the poor rate of only 3.3 per cent. It is hard to convince the working poor, who are often forgotten, to swallow the economic growth theories of politicians and others when they seem to be receiving so little visible benefit from it. The most direct anti-poverty devices of the federal government must certainly be the income support programs operated through the Department of National Health and Welfare.

Income support programs comprise those income security measures intended to assist people considered to be in a state of poverty, as opposed to income insurance