

Mr. Robert P. Kaplan (Don Valley): Mr. Speaker, after spending 2 to 2½ years on the difficult problem of tax reform in Canada I find it difficult to sit with a straight face and listen to members of the Conservative party say, as the hon. member for Dartmouth-Halifax East (Mr. Forrestall) has said, that we have done little and we have gone only part way down the road to tax reform. I would ask them where the rest of the road to tax reform goes. We have received submissions from royal commissions, a white paper from the government, a thousand briefs from across the country and briefs from the provincial governments. What do we have from the Conservatives?

After listening to the interventions of members of the Conservative party I gather that they look upon tax reform as a three-pronged affair. Prong No. 1 is a 6 per cent tax reduction, not progressive but across the board. Prong No. 2 is tax credits instead of tax exemptions. I would like to deal with that point because I think it is one of the biggest red herrings I have seen in the past three years. Prong No. 3 is the elimination of the 11 per cent sales tax on building materials. I gather this package is the Conservative solution to the problems of tax reform in Canada. I would be happy to hear from members of that party if I am not correct about their views on where the government should be going on tax reform. I have not heard it yet.

I was very interested to hear the hon. member for Edmonton West (Mr. Lambert) reject equity as a relevant consideration in tax reform. He said equity is an entirely subjective matter; the important consideration in tax reform is the question of growth; equity will come if you concentrate everything on growth. Many people said that to our committee. I believe in economic growth, Mr. Speaker: I do not think we can have equity if we do not have economic growth. But there is a very important distinction. I would like to take a moment to expand on that distinction. We have the example in the United States of an economy which is showing tremendous growth, yet when we look at it we observe that a great many people are being excluded by that growth. Growth allows more people to find work but growth does not take care of everybody in society.

There are many people who live outside the economy. There are the aged, the handicapped, the single parents and the very young. These people and their problems, which are handled by government pensions, subsidies and assistance of one kind or another, do not directly benefit from economic growth. The only way they can benefit is by redistribution. We have to face the fact that however much of a free enterpriser you are, however much you believe in the free market and in seeing the economy grow, at some point you have to recognize the needs of the people who are outside the economy. I think this budget has done that.

This budget has not rejected the principles of tax reform and, in particular, it has not rejected the important consideration of equity. I would like to illustrate this point with the case of a couple who are 67 years old. Until last Friday they were entitled to an exemption of \$2,000. When this tax reform package is implemented, in

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addition to the \$2,000 they will be entitled to \$850 more as a personal exemption for both and to another \$1,300 which is the new exemption to which they are entitled to age 65. If they were to receive the guaranteed income supplement they would be entitled to another \$1,140. The total of these exemptions, including the \$2,000 to which they were entitled before last Friday, is \$5,290 a year before they have to start paying income tax.

I think that hon. members must admit that this budget has gone a long way, if not as far as it can go, through tax reform to recognize the needs of the elderly. Until last Friday the tax at the bottom end of the income scale was 17 per cent. When the proposals of the budget are fully implemented the rate will be reduced to 6 per cent. That is \$55 off the tax of our lowest income earners, from one proposal; and there are others. The hon. member for Dartmouth-Halifax East referred to this proposal as a mere handful of dollars a year—nothing, really. I believe that tax saving represents something substantial to the people at this income level. In addition, their exemption is increased by \$500, and if they are employed in an occupation for which they draw a salary they receive a further exemption of \$150. The tax value to people at the bottom of the income scale is at least \$100 for a single person and more for a married person. So that there, at the bottom of the income scale, is relief of over \$150 a year.

Mr. Gilbert: Three dollars a week. Big deal!

Mr. Kaplan: Can I answer the question at the end of my remarks, Mr. Speaker? I did not quite hear it.

The Acting Speaker (Mr. Laniel): Order, please. The hon. member is aware of the rule that he does not have to accept a question. I do not think the hon. member should even consider questions from members who do not rise to ask them. We should abide by this rule.

Mr. Kaplan: Thank you, Mr. Speaker. I accept your ruling. The hon. member for Waterloo (Mr. Saltsman) referred to the Carter report. He told the Canadian people how much they had lost through the non-implementation of that report. The hon. member knows perfectly well that the Carter report could not be implemented today even if there were a government that had the will to do so, simply because the public sector has grown to such an extent since the report was first introduced that we could not afford to provide government services if it were given effect. If every proposal in the Carter report were implemented it would be an impossible position from the point of view of government revenue, and I mean government at all levels. In any event, the Carter report only recommended an individual exemption of \$1,000. In this budget a \$1,500 exemption is recommended.

To conclude on the question of poverty, under this budget we will by no means eliminate poverty. However, I suggest that the government has done everything it can in the way of tax reform with respect to poverty. The problem of poverty is one for those who do not pay taxes. What we have done is to assure that virtually no