

● (1050)

For certain, during this Tory term, 100,000 families will suffer, because of this tax, within three years. God help us if they stay five years; 700,000 families. That is nearly one and a half million people who will be worse off, because of this one Tory measure. They will have lost their protection, because inflation will have eroded the real value of the threshold at which it begins to phase out.

Even though the goods and services tax will continue to be imposed on the inflationary price of goods, by the fifth year the government will be paying \$700 million less to low-income families in removing the regressivity of the tax.

Is this fair, to take that \$700 million out of the hide of the poor instead of, as the author of this paper, Neil Brooks, suggests, increasing a little, just a little, the taxes of the rich? And by how much would the rich be hit if the proposed income tax increases were made? He told us the highest income families would be paying \$300 more a year. What is \$300 more a year? Five neckties for Senator Poitras. That is all it is. But no, we cannot increase the taxes of our corporate citizens, we must increase the taxes of our Canadian citizens. That is what we must do. That is what this government is asking us to do.

Then there are people who have been brainwashed. You don't like that word, Madame? They have been brainwashed by this government into thinking that we here in the Senate are wrong to oppose this wicked tax, that we are wrong to defend the interests of these hundreds of thousands of people who will see their income eroded by this wicked tax, to defend Mrs. Parkhill, who is going to have to cut her food and the heat in her house and her capacity to go out of that house and not sink in the depression in which the underprivileged sink, because of this wicked tax.

**Senator Turner:** The tax is \$1,400 on a \$20,000 car, the average person's purchase.

**Senator Gigantès:** Yes, as you say.

Neil Brooks writes:

Finally, and perhaps more fundamentally, it does seem strange to impose a tax on low-income individuals and then give them a credit to offset it.

Why impose it to start with?

For one thing this adds substantial complexity to the tax transfer system.

I am going to answer Mr. Brooks right now before I continue. He seems to be a little more trusting and naive than I am. The reason this tax has been put there is that the corporate citizenry wants it. It does not matter what the consequences are. They don't care about the complexity. In fact the complexity will give them an argument afterwards for suggesting that more of these transfers be cut because they are too expensive to administer. So let's draw a few more people off the poverty cliff, let a few more of them sink.

Mr. Brooks says:

[This tax] imposes additional administrative costs on the government and increases compliance costs for low-income individuals.

Claiming the credit not only requires them to make relatively complex computations (similar to computations that many taxpayers make mistakes on in their tax returns), but also requires them to file a significant amount of paperwork. To illustrate the problems with just one aspect of the compensation package, the limited rebate of the GST on lower-priced new housing will result in somewhat different effects in different areas, because of variations in housing prices. In addition, distinguishing between major renovations and minor repairs will lead to endless problems. Most important, the refundable sales tax credit leaves low-income individuals much more vulnerable to political misunderstandings and whim. The credit is highly visible, while the additional GST that low-income individuals pay will tend not to be noticed.

This is a typical, typical Mulroney ploy. The credit is more visible than the tax. They put their hand in your hip pocket and rob your wallet, and they give a small portion of it back in your outstretched hand in the front. You have seen what they have given you, but you have not noticed that they have removed money from your wallet. This is a typical, absolutely typical, Mulroney ploy.

Mr. Brooks continues:

This might result in provinces feeling less urgency to maintain the real value of social security payments and the federal government feeling less pressure to enact and enrich other programs to assist low-income individuals.

To avoid the Adverse Macroeconomic Effects of Introducing a GST:

A good deal of uncertainty surrounds the macroeconomic effects of introducing the GST. Although the government is predicting only a 1.25 per cent rise in the consumer price level, this estimate is based upon a number of highly optimistic assumptions: that manufacturers will pass forward tax reductions, that businesses will not attempt to increase prices to protect themselves from, or take advantage of, uncertainty relating to the effects of the tax, and that labour will be prepared to take a one-time decline in real wage rates. Under an income tax alternative, not only would all these adverse macroeconomic effects of the GST be avoided, but the rate of inflation as measured by the Consumer Price Index would decrease by more than 2 percentage points. This relative price deflation could lead to a decrease in interest rates and thus the deficit.

The calculations behind this argument are arithmetically irrevocable. One has to ask, again, if replacing the manufacturers' sales tax with a modest increase in income tax rates, as Neil Brooks suggests, is going to give the government the revenue it wants and create less distortion and not hit the poor and bring down interest rates by 2 percentage points, why is the government not taking this route instead of taking the