

I should like now to quote some figures provided by the National Council on Social Welfare in a document entitled: "Giving and taking".

[English]

This was published to discuss the 1985 main budget.

• (1520)

The budget proposes changes to all three federal child benefits. These changes are to be phased in over the next few years. Despite assurances that these modifications "will provide increased support to low income families"—which was a government assurance given by the Honourable Minister of National Health and Welfare—many lower and all middle income families with children will receive less than they do from the current system. After 1990, even the poorest families stand to lose child benefits and, in the future, fewer and fewer families will be eligible for the Child Tax Credit.

Therefore, we are talking of three measures: Family allowance, the child tax credit and the child tax deduction. If all three measures are combined and if, in addition, we consider various advantages that have been given to families with high revenues—advantages such as the capacity for one spouse to invest in a retirement plan, thereby receiving tax deductions—we find, according to the National Council on Social Welfare, that by 1990 a two-earner family with an annual income of \$15,000 and with two children—it would be difficult to get much poorer than that—will lose a total of \$1,879. That is not taking into account the inflation rate of 3 per cent. If that were taken into account, that family will have lost purchasing power totalling \$2,053. That is where my calculator came in. I regret that my dear and respected colleague, Senator Flynn, is not in attendance so that I could give it to him to play with if he wanted to.

A two-earner family with an annual income of \$35,000 and with two children—we are entering the middle class here—will lose a total of \$3,452 between now and 1990. If we apply to that amount the 3 per cent per year inflation rate, they will lose purchasing power totalling \$3,772.

Unlike these families, the affluent couple will end up with a lower taxable income because of the budget introduced last May. Before the budget, the most that each spouse could claim as a tax deduction was \$3,500 in combined RPP and RRSP. After the budget, each spouse can deduct up to \$7,500 in RPP contributions in 1986, as well as an additional \$2,000 in RRSP savings—assuming, here, that the husband earns \$48,000 and that the wife earns \$32,000. For a rich family with gross earnings of \$80,000, they will make money out of these measures. Between now and 1990, a family with an annual income of \$80,000 will make \$6,187, while the family with an annual income of \$15,000 will lose \$2,647. The one hardest hit, of course, is, as usual, the lowest middle-class family. That family will lose \$4,607.

• (1530)

If we look at a single parent with two children, the losses are higher for the low-income family, slightly lower for the mid-

[Senator Gigantès.]

dle-class family and lower for the rich family. Yet we were told that this was not going to happen.

I have heard the argument from some of my colleagues that what we should do, faced with this illegal—perhaps unconstitutional—situation in which the government is already making these reductions before they have been passed by Parliament, is pass the bill now and make proposals and suggestions to rectify the losses for coming years. We have been told there will be losses, but that those losses will not be felt in the first year.

Unfortunately, we come down to a question of trust in this issue. I trust every honourable senator; I would not expect any senator to say something that that senator does not believe to be true, but in September of 1984, the Honourable Jake Epp, Minister of National Health and Welfare, said in the House of Commons that the opposition was trying to create "a false image" of the Tory party as the enemy of the poor and the disadvantaged. The government, pledged Mr. Epp, would "demolish any such notion by demonstrating that it, too, can implement progressive social reforms." The minister said, "we also have compassion. We, too, have a heart." Well, a year later he said that unless there was de-indexing, and that money was taken to reduce the budget, it would not be possible to lower the deficit. He said previously that any cuts to the social security system, and to the family protection system, would not go to reduce the deficit. We are now being told, "Let this pass and trust us."

Well, it is difficult to extend this trust because it comes to a question of mentality, what people think is right, and what really perturbs me is where this government has started. Let us reduce the deficit. The government says a deficit is a bad thing. I agree. I agree that it is excessive and that we should cut it, but there are many places in which to cut. But who suffers the first blow of the axe? The poor retired pensioners. That was restored. Now it is the poor families, families earning \$15,000 a year, not the rich families. The rich families get an increase. There are other places to cut. Canadians with incomes of more than \$250,000 a year, 239 of them, paid no income tax.

Losses of revenue through deferred taxes to major corporations amount to two-thirds of the deficit. Why could that not be cut first? Why could those targets not be chosen for the axe? Did it have to be the poor, the old and the family?

What about the loopholes? What about the excess interest deduction taxes at only 50 per cent? That amounts to a \$2 billion loss for the government.

What about the tax breaks and the systems programs to create investment? Study after study has shown that no investment is being created; that for every \$2 of forgone tax revenue, business has created less than \$1 of investment. In other words, we have been had. Here is a negative measure by the government, here is a rich field in which to find money without doing any harm at all, but that is not where the government has gone, not to the rich; it has gone to the poor families.