

government taxation? Certainly, I was reminded in reading the bill of Burke's famous description of the French revolution as the product of "cold hearts and muddled understanding." I think there is evidence of a "cold heart" in this bill and I think there is also some evidence of "muddled understanding" of the national economy and its ability to withstand additional loads of taxation, particularly from the federal Government.

However, honourable senators, it is obvious that we are going to have to live with this tax and with the situation it creates. Perhaps we can commend the Minister of Finance for trying to some extent to condition us to this kind of thing and to get us used to it, because honourable senators will remember that a year and a half ago, early in 1968, the Government sought to impose a surtax of 5 per cent on personal income. Parliament rejected that attempt and shortly afterwards the Minister of Finance brought in a 3 per cent surtax on personal and corporate income. Now we have in this bill a 2 per cent tax, so that what we have is a circumventing of the original will of Parliament stage by stage. In other words, the Minister of Finance is telling us that, if we will not take it all in one lump, we are going to get it bit by bit. This is exactly what we have today. We are back to the 5 per cent which, as I have said, was rejected by Parliament in spite of the fact that the Government at that time had a majority.

We were told that the 3 per cent surtax would last only until the end of 1969. This was a temporary tax. However, we have been told since then that it was going to be continued until the end of 1970. I would rather doubt whether there will be any very long odds given on any of our stock exchanges that that 3 per cent surtax will be taken off as indicated—I might go so far as to say as promised—at the end of 1970.

Senator Hayden pointed out that this 2 per cent tax is called a social development tax. He is quite correct in that because it is so called in the bill in small print and in large print. It is quite obvious that the Minister of Finance wants us to believe that this is a social development tax.

However, that is going to be very difficult to believe. Why? Because, as Senator Hayden again said, the proceeds of this tax, about \$440 million, are to be integrated into the personal income tax. I would go so far as to say that it is a fraud to call this a social development tax, because all the money will

go, in a lump sum, into the consolidated revenue fund. There will be no separate accounting for it.

Senator Hayden tended to applaud this principle on the ground that it is a very good thing to designate certain purposes of taxes and to segregate the moneys for the asserted purpose of the tax. But this is not being done here. I suggest that we are entitled to be very skeptical of the device of adding a 2 per cent surcharge to existing taxes and calling it a social development tax, but in no way making any arrangement whatsoever to segregate it or to account for it.

Perhaps it is called a social development tax because it has been related to medicare. We are told that the cost to the federal Government of medicare this year will be about \$325 million and that there will be \$65 million in costs for hospital insurance. If we add these two figures together, we are pretty close to the total that this 2 per cent tax is said to be able to earn.

This raises again the main argument that has gone on in the discussion so far in connection with this tax, and that is the assertion that it is a regressive tax—that it is regressive because it is not progressive in the normal sense of taxation terminology. This, of course, is because there is a ceiling on the total tax liability of any individual taxpayer. The tax is two per cent or a maximum of \$120 a year, whichever is the less. In the other place the members who voted against the tax on those grounds represented $\frac{2}{3}$ of the number who voted to support the Government position.

Now, in the brief lapse we had here this afternoon into Committee of the Whole, without any formality, when we had a debate between Senator Croll and Senator Hayden, this issue was raised. I call it a lapse into Committee of the Whole because my position on the Rules of the Senate is well known. I merely comment on that because I hope the time is coming before very long when this place is going to maintain its procedures and keep its own rules, and in saying that I am in no way reflecting on His Honour the Speaker because his position in respect to that is very clear. I am not suggesting that His Honour should have intervened; I am merely suggesting that those who have the management of the house might pay a little closer attention to the rules of procedure of this house for the very good reason that the procedures are there to protect those who want to abide by them, and lapses in procedure are simply to