

*The Budget—Mr. Benson*Selective Anti-Inflation Measures

that I have concluded they should be maintained in full force for the period ahead. I am not proposing any increase in either personal or corporate tax rates beyond their current levels nor an increase in sales tax, but I am proposing tonight that the personal income tax surtax of 3 per cent on "basic tax" in excess of \$200 and the corporation income surtax applicable for the years 1968 and 1969 should be extended until December 31, 1970. When the White Paper on tax reform has been discussed with the public and the provinces, and examined by Parliament, and the government decides upon the final tax proposals which it will submit to Parliament, it will be necessary to re-assess the need for these surtaxes in the light of the economic circumstances of that time. This proposed extension of the surcharges would increase budgetary revenues by some \$25 million in this fiscal year, and if continued throughout the whole of 1970 would provide about \$155 million next fiscal year.

● (8:30 p.m.)

In making this proposal tonight, I am mindful of the implication given last October that these surtaxes would be allowed to terminate as scheduled and that this was a factor in determining the series of tax measures then introduced. It will be clear to everyone, however, that the extension of the surtaxes at this time is required for the purposes of economic stabilization, and not for budgetary revenues.

Tax Reform

I now expect that the White Paper on the reform of the Income Tax, containing proposals I have been discussing with other Ministers during recent months, will be ready some time during the Parliamentary recess. I propose to issue it when it is ready and will send it immediately to all members. I shall also invite all parties in the House to have representatives meet with me and my officials at the time the White Paper is issued to ask questions about it and receive explanations. I shall also invite representatives of the provincial governments, who are of course very much interested in the proposals, to do the same. I think this procedure will assist members to prepare for the consideration of the White Paper in committee in the session commencing in the fall, as well as to deal with questions they may receive during the recess.

I have also given careful attention to the fact that the current economic expansion is not evenly distributed across the country. This is reflected in rates of unemployment and economic growth, where long-standing differences among the regions continue to persist. This disparity is the basic problem now being attacked under the array of programs of the new Department of Regional Economic Expansion. The expansion and improvement of these programs is of course a major commitment of the government, and the more rapidly the House is able to pass the legislation establishing the Department and its new industrial incentives program, the more rapidly the Department will be able to get on with its very important job. In the short-term however, the Budget Papers point out that the rate of advance among the regions this year is mixed, even though inflationary increases in prices and costs are unfortunately widespread.

Under these conditions we have turned our attention to measures which might be directed in a more selective way to deal with particular problems. One of these is the need to increase the element of price competition and efficiency in the domestic economy. In too many cases the attitude is that cost increases, including large wage settlements, can be accepted because they can be easily passed on in higher prices to the consumer. This is a psychology which needs to be broken.

In considering this situation, we have concluded that a particularly useful and effective way of intensifying competition would be to put into effect immediately the remaining tariff reductions of the Kennedy Round.

To be specific: I propose that the final rates which were to come into effect on January 1, 1972, should come into effect as of tomorrow morning. This means that the remaining Kennedy Round tariff reductions which had not yet been given effect are to apply immediately. The reductions should amount on average to about three percentage points, on imports worth about \$2 billion a year.

It may be useful if I remind the House of certain features of our Kennedy Round tariff reductions. In that negotiation the Canadian Government undertook to reduce tariffs on a wide range of raw materials, on semi-processed products, on components, and on final manufactured and consumer goods. It was the Government's view then, as stated by my predecessor, that the carefully selected