

WHITE PAPER OBJECTIVES1. ECONOMIC EFFECTS

3.1 In Paragraph 1.6 of the White Paper, one of the stated objectives of the tax reform proposals is to promote "steady economic growth and continuing prosperity". However, the Government qualified this statement in a subsequent paragraph by saying that another related objective is "to see that the tax system does not interfere seriously with economic growth and productivity".

3.2 It is also stated that the proposals are expected "to have relatively modest impacts on the Canadian economy" and that there would only be "some moderate reduction in aggregate private saving and probably some reduction in -- capital expenditures" which would "be offset by a small immediate increase in public revenues, and a rather larger increase after the early transitional years". We are not happy with the implication that the Government, which has frequently proven itself to be inept and extravagant in its spending, presumes to be able to make better use of funds than the private sector. We also wonder at the Government's rationale in interfering, seriously or otherwise, with economic growth or productivity or to cause any reduction in saving and capital expenditure. Surely equity and neutrality in the tax system are not worth the risk of slower economic growth over the longer term.

3.3 The White Paper contains some analysis of the expected economic consequences that would follow from implementation of the proposals but the discussion in many areas is vague and inconclusive and deals only with generalities. There is none of the rigorous economic analysis that is necessary to arrive at a sound decision as to the probable