same treatment of last year, treatment that did not work last year, treatment that gave us the worst of both worlds, higher unemployment and higher prices. There is no indication that his remedy will be any more effective now than it was then. It will certainly leave us much worse off than before.

As if the regressive 2 per cent social development tax introduced in the October budget was not sufficient, the minister has increased personal income taxes again by continuing the 3 per cent surtax which had been due to expire at the end of this year. This is not a budget in which taxes are not being increased. There is a definite increase in taxes because the minister is not permitting the 3 per cent surtax to expire.

The minister's predecessor in his November 30, 1967, budget first proposed a 5 per cent surtax on individual income taxes only, a measure which was subsequently defeated in the house on February 19, 1968. A subsequent bill passed on March 15 introduced a basic 3 per cent surtax on personal income and corporation profits, which was to expire on December 31, 1969. Thus the minister has increased taxes by continuing the basic 3 per cent surtax until the end of 1970. This is expected to bring in budgetary revenues of some $25 million in the current year, and approximately $155 million in the next fiscal year. Of the $155 million approximately $115 million is assessed on a personal income tax and the remaining $40 million on corporations. Thus the basic, regressive nature of our tax system, which penalizes those who earn salaries and wages, is continued in the present budget.

I would like to say a word about the Kennedy Round measures. The minister seems to take great satisfaction in advancing the date of removal of tariffs. The immediate removal of these tariffs, while it is marginally a good step, will not do very much to correct the basic problems of inefficiency in Canada. In some cases the Economic Council studies on the level of effective protection afforded by the Canadian tariffs, before and after the Kennedy Round changes, showed that the change in the level of protection would be very minor. Some effective tariffs rise; some fall; some stay the same. Most of the tariff cuts relate to producer or intermediate goods rather than consumer or final goods, and there is no indication that these tariff cuts will result in benefits to Canadian consumers.

On looking over the schedule of tariff cuts one notices that many of them reflect no change at all. There is one outstanding item here. In effect the minister has continued the tariff schedule on important items like walking sticks and walking canes of all kinds. The tariff schedule is now identical with what it was previously. One finds that many things which all along have been free on tariff are continued on a free basis. I think it is unfair and misleading for the minister to try to indicate that he is making substantial changes in the tariff structure of the country.

More importantly, the Kennedy Round reductions do little regarding the rationalization and structure of the branch plant nature of the Canadian economy. They do not tackle the question of multi-national corporations and international pricing policy by these corporations. I think the minister had an opportunity to bring in measures that would encourage the rationalization that would end the efficiency of our industry as a method of reducing consumer prices.

The minister's attitude toward interest rates is most disturbing, as is his attitude toward the capital needs of the government. He has announced that the federal government will sharply reduce its demands on the domestic capital market this year. Ottawa will have to raise $200 million to $300 million over the balance of the year compared with $721 million last year. This reflects the restrictive nature of the budget. On a larger basis it also reflects the inability of public bodies, federal, provincial and municipal, to raise necessary capital for public use from Canadian money markets. The present tax system is biased toward equity rather than portfolio or bond investment. And because of rising interest rates the pay-off for government bonds is even less attractive. Competition for savings is pulling money out of the federal government's Canada Savings Bonds at a record rate.

• (4:00 p.m.)

In spite of this the government has allowed and in fact encouraged the private sector to increase its expenditures and its access to the money markets in Canada, the very same money markets in which the federal and other governments compete for the same funds. In addition, the minister has introduced legislation which will increase the capital authorization of trust and loan companies, thus giving them greater access to Canada's money market. Newspapers state that he is tying his hands and inhibiting the ability of governments in Canada to get money at reasonable rates. A recent newspaper report