

The Deputy Chairman: The Special Senate Committee on Poverty carried out an investigation and found that the distribution of wealth in Canada was such that the top 20 per cent of income earners received approximately 38 to 40 per cent of the wealth produced, while the bottom 20 per cent received approximately 6 per cent. The figures I quote are for 1969 and had remained practically the same since 1954. You told us that within the last three years you have tripled the amount spent on old age pensions. Has any calculation been made to indicate the impact of that on the distribution of wealth?

Hon. Mr. Lalonde: Old age pensions still represent a comparatively small amount of the whole economy. The universal payment of \$100 goes to all and is taxable. It is not, however, progressive in terms of redistribution of income, as it would be if subject to an income test.

I must mention that the study by the Senate committee was made before the latest tax reform was approved by Parliament. Secondly, the figures do not take into account, as far as I know, the real income or, if you wish, the income received by individuals in terms of service. For instance, the introduction of Medicare and Hospital Insurance has no doubt been of substantial benefit to those in the low and lower-middle income groups.

Senator Benedickson: And those of advanced age.

Hon. Mr. Lalonde: And those of advanced age, obviously. If calculations are made strictly on the basis of the distribution of income based on income tax returns, they do not take into account those developments which have taken place over the last few years. Therefore, while not quarrelling with the figures as they are, which in my opinion are unquestionable, I believe that some caution must be exercised in considering them. There have been certain developments since, and we should and must take into account the services provided on a universal basis in Canadian society.

You raised the more general problem of the redistribution of income. In my opinion, it is really a genuine concern for all parties and politicians in this country that we have not been able to effect a greater degree of redistribution, or a fairer redistribution in our society. There has been in recent years, apart from tax reform, the unemployment insurance program which should contribute to some redistribution for workers and those on comparatively low income. In effect, in the lower income regions in which there is a high degree of unemployment, unemployment insurance has been a substantial benefit.

Then you have to take into account as well the forthcoming family allowance program. There again, I must point out that the family income supplement plan proposed by Mr. Munro—which ultimately did not go through the House of Commons, and was the cause of very much unrest and concern in the Canadian middle class and particularly the upper-middle class circles—was a very highly redistributive plan; but it was quite clear that there was a very high degree of resistance in the country to such a program. The program that I have brought forward is certainly a more generous plan, comparatively speaking, but it is also a more costly one, and I do not make the claim that this plan is more redistributive than the Munro plan. In that sense the Munro proposal—the latest government proposal—was meant to achieve a

greater degree of redistribution. We will probably put the same amount of money, or even more money, in the hands of the poorer people of this country, but only by putting very much more money in the whole pot, because at least we will finally make the family allowances subject to income tax, which will mean that we will recoup a portion of it. Nevertheless, the maximum to be recouped is the maximum tax rate you have in the Income Tax Act at the present time.

So, honourable senators, these are measures that have come into effect since the study made by the Senate Committee on Poverty, and I think we should continue monitoring this type of development to see what we are really achieving in terms of income redistribution.

This is one of the reasons why we have proposed also this social security review with the provinces, because the level of payments being made by the provinces is also a very significant factor in this respect. When you see comparatively wealthy provinces in Canada allocating a comparatively much smaller proportion of their personal income to social assistance, as compared to that of lower income provinces, then you realize that a greater effort could be made at least in some areas of this country. I refer, for instance, to table VII of the working paper on social security in Canada, where you can see that the percentages go all the way from 4.5 per cent in Newfoundland to 1.7 per cent in Ontario. These are the percentages of provincial personal income allocated to social assistance.

The Deputy Chairman: I gather the answer to the question that was asked earlier may be coming now, and we can have it read into the record as part of today's proceedings.

Hon. Mr. Lalonde: I had better read this into the record, Mr. Chairman, because I realize I might have given erroneous information to the committee, for which I wish to apologize.

The \$90 million to \$95 million I have mentioned does not take into account the returns from taxes, and I cannot find out at the present time the average tax rate for the pensioners. So, honourable senators, once again, I apologize for the erroneous information, and I thank Senator Flynn for having raised this question.

The Deputy Chairman: Thank you.

Are there any further questions?

If there are no further questions I shall ask Senator Goldenberg to express our thanks to the minister on behalf of the committee.

Senator Goldenberg: Mr. Chairman, I am pleased to thank the minister on behalf of the committee, and in doing so I want to add a personal note. Not too many years ago I had the privilege of being one of the examiners of the minister's thesis for his Master's degree at the University of Montreal. I gave him an A plus. I am very happy to see that on the basis of his appearance here today he has maintained that high standard.

Hon. Mr. Lalonde: Thank you.