

of the house it was easy to read disappointment on the faces of the Conservative members when the Minister of Finance (Mr. Abbott) announced the reduction in personal income taxes. The leader of the opposition (Mr. Bracken) previously had advocated a cut of thirty per cent. He made sure that the target was too high to be reached by the Minister of Finance, but when it turned out that the average reduction was twenty-nine per cent our hon. friends opposite were very much disappointed and their disappointment was evident on their faces.

The hon. member for Muskoka-Ontario referred, with tears in his eyes, to the middle class which was not being properly looked after, and he defined that middle class as those with incomes between \$3,000 and \$7,500. What should be understood by the term "middle class" is not easy to determine. One might think it referred to the middle third of our population from the income point of view, and a more liberal interpretation might take in a larger proportion, possibly the fifty per cent of the middle group between the lower and the higher income brackets. But no matter how we look at it, I cannot agree with the hon. member as to where this middle class should fit in to the scale of income earners.

During the 1946 session the hon. member for Lethbridge (Mr. Blackmore) placed on *Hansard* a letter received from the bureau of statistics over the signature of Mr. J. L. Forsyth, statistician. From this letter it appears that according to the 1941 census 32.9 of all wage-earners in Canada had an income of less than \$450 a year—that is for the year from June 1, 1940 to June 1, 1941—31.6 per cent had an income of less than \$950; 91.5 per cent had an income of less than \$1,950, and there were only 6.8 per cent in receipt of incomes over \$1,950 a year. Assuming that those figures would require revision upwards in order to bring them in line with present-day wages, I think it is fair to assume that possibly today 75 per cent instead of 91.5 per cent, as in 1941, do not earn more than \$2,000.

If we look at the problem from the point of view of income tax returns filed for the year 1945 we find that there are only 165,000 taxpayers with incomes between \$3,000 and \$7,500, which is much less than seven per cent of the total number of income taxpayers and is only 1.4 per cent of the total population of Canada. In addition, there are 34,500 income taxpayers paying on incomes of \$7,500 or more. If we take all taxpayers with net incomes of \$3,000 or more we find that they represent about eight per cent of the total taxpayers, and only about 1.7 per cent

[Mr. Michaud.]

of the total population. I submit that those figures establish conclusively that the middle class referred to by the financial critic of the opposition cannot, by any stretch of the imagination, be considered as a truly middle class of our population. It may be said at the most that it constitutes the middle class of the top five or six per cent in the upper income brackets. As I look at those figures I come to the conclusion that what I consider our middle class is practically income tax exempt, at least so far as married people are concerned, and it is with those people that the government should be primarily concerned.

The hon. gentleman mentioned that much of our foreign trade is made possible only by the fact that we lend money. According to an answer to a question asked by the hon. member for Kootenay West (Mr. Herridge), and, I think, filed during the present session, it appears that our exports for 1946 amounted roughly to \$2,300 million as against \$1,900 million for our imports, leaving a favourable trade balance of some \$400 million.

Our loans to Great Britain and to other European countries amounted to something in the neighbourhood of \$2 billion, of which \$648 million were used up in 1946. The loan clearly contemplated—and no one knows this better than the hon. member for Muskoka-Ontario—and may I say I am sorry he is not in his seat—

Mr. CASSELMAN: He is ill, as a matter of fact.

Mr. MICHAUD: The loan contemplated that, to the extent and for the duration of the loan period, we should carry out this loan to a very large extent by our excess of exports over our imports. How could it be done otherwise? Would the hon. gentleman find it better business if our imports had balanced evenly with our exports, with the result that we should have had to advance in actual cash the whole sum of \$648 million instead of approximately \$264 million, as we actually did.

If we subtract from our total exports that portion which was made possible through lending, there are still left exports to the extent of \$1,700 million, which is approximately twice our pre-war exports, and even higher than our wartime exports prior to 1942. When we bear this in mind it will be recognized that Canada is not doing too badly in the matter of foreign trade. And for that reason I cannot see any object in the remarks to which I have just referred, to the effect that our foreign trade is possible only by the fact that we lend money. When the