

internal revenue accepts the fact that breeding herds are capital, and proceeds from their sale are not subject to income tax. The matter was fully discussed in the house last year, and the views I put forward at that time were along the lines of a brief I submitted to the Minister of Finance, which he was generous enough to say contained some sound proposals. But all these generous expressions and promises of consideration are not doing anything to relieve the unjust burden which is being placed upon those engaged in the cattle industry.

I raise this point briefly now to serve notice, as it were, that I intend to discuss the matter more fully later on, and to say that I hope it is not too late even yet to take some action this year. I regret that the Minister of Finance is not in the house, nor is his parliamentary assistant. I hope someone, perhaps the Minister of Agriculture, will take word to him that some hon. members on this side of the house regard this as an urgent question and intend to thresh out the matter in committee this year, to force a decision one way or the other, in so far as it lies within our power to do so. I raise the question now so that the minister may perhaps give it further consideration, and by way of notice that it will be debated hotly when the house goes into committee on the budget resolutions.

The next portion of the amendment with which I wish to deal is paragraph (a), which reads:

This house regrets that the proposals of the Minister of Finance

(a) offer no relief from the oppressive burden of indirect and hidden taxes on staple necessities that compose the family budget, all of which taxes directly increase the cost of living.

At the outset it would be only fair to say we recognize that an important and welcome measure of relief has been given this year in the budget proposals. There is no direct criticism on the score of the relief that has been given, except that it was limited entirely to the realm of direct taxation and the relatively minor effects which result from the abdication by the dominion government of the field of gasoline taxes. I should like to make some general observation with regard to the question of the proper balance between direct and indirect taxation, which is raised in the amendment I have just read. We feel that relief should be given those groups in the lower income brackets, particularly those with large families; the middle class. I use those words again, and I want to refer to the argument just put forward by the hon. member for Dauphin (Mr. Zaplitny). I refer to the middle income group, those who are

[Mr. Fulton.]

struggling to remain independent. These indirect taxes are not imposed on the basis of ability to pay; they are not desirable from that point of view, for they hit much harder those in the income group to which I have just referred. In dealing with this matter this afternoon the hon. member for Dauphin was guilty of a distortion of the remarks of the hon. member for Muskoka-Ontario (Mr. Macdonnell). He was reproached for that by the hon. member for Rosedale (Mr. Jackman), but denied that he was distorting the words used. But what he actually did was to take the speech of the hon. member for Muskoka-Ontario, which itself was directed toward what he regarded as the middle income group, and to turn it into a defence of what he said the hon. member regarded as a class structure—the principle of a ruling class, as the member for Dauphin put it, and a lower or ruled class. The hon. member for Muskoka-Ontario had no such thought in mind, of course. What he refers to is an income group. And there can be no denial, as a matter of fact, that there are large numbers in the middle income group.

Mr. ZAPLITNY: May I ask the hon. member a question?

Mr. FULTON: It seems to me that this question of a class society exists only in the minds of hon. members such as the hon. member for Dauphin. Of course the hon. member for Muskoka-Ontario said that the middle income group was the largest proportion of society, because there are more people with incomes in that group than in any other group. That is simply a question of fact.

This party recognizes that initiative and ability will always produce results, and that those results are reflected in the incomes of those who exercise this initiative. We recognize that and we wish to preserve that system, because we want initiative and the incentive to enterprise that the preservation of this initiative system gives. We want the production of plenty, instead of the uniform misery advocated by the C.C.F.

To get back to the remarks I intended to make at the outset, it is true that the hon. member for Muskoka-Ontario gave figures, perhaps by way of illustration of what he meant when he referred to the middle income group. He did refer to those with incomes between \$3,000 and \$7,500. These figures have been criticized by some hon. members; indeed the other day the Minister of Agriculture (Mr. Gardiner) dealt with them.

Mr. ZAPLITNY: May I ask a question?