force, and thus the number of taxpayers, is increasing rapidly. Wages, and thus taxation, are increasing. Regional development is converting certain sections of the country from a loss to a profit position, and the increase in the national product, with corresponding increases in sales taxes and other revenue, could accelerate if we do not lose confidence. We could implement this program of reduction in a year or two without increasing taxation on the middle group except to treat their capital gains as income.

As I said earlier, the philosophy of the paper seems to be a distribution of the tax burden based upon ability to pay and a recognition of modern social needs, tied to steady economic growth with continuing prosperity. Nowhere in the criteria is incentive mentioned. Nowhere do I find any attempt to establish that a further increase in taxation on the middle income group will not cause a reduction in recovery in 10 or 20 years. Let us not go too far along the well meaning but destructive road of socialism. Look at the example of England which socialism turned into a welfare state but dragged down to a third rate producer of wealth.

I agree there is a need to help, but I question the timing. It is not a kindness, but is in fact a gross blunder, to increase the load on the middle group if we impair incentive and thus impair production and the accumulation of wealth. We might lessen confidence and, as a result, adversely affect the steady economic growth and continuing prosperity which is part of the criteria.

Today, few decisions of major importance are made at universities or in big business without all of the disciplines being brought into consultation. I had the feeling after reading the white paper that it had been prepared by economists who worked from statistics only. Basic research in social science is not immediately available in Canada, but before taking such a major step I suggest that historical economists check to see what happened to incentive in England at this stage of the tax climb, that this be looked at from the sociological and psychological point of view to see whether this step would be harmful to the nation.

Think of the young couples starting out in life hoping to accumulate sufficient savings to start a business and buy a home. Their taxes are high enough now. It may be said in reply that this is not a large increase, but we must look at the whole picture.

• (3:50 p.m.)

In 1970 municipal taxes in Ontario, and I expect in other provinces, will go up substantially. So also will provincial taxes. How much can these people take before they begin to believe that incentive and energy are disadvantaged, and that it is impossible to buy your own home or start a business? Will their attitudes change to why bother? Will we be encouraging them to join some protest group demanding that education be completely free for their children, that they get a larger pension at a lower age? Will they simply give up and begin to believe that they are owned by the government and they, in turn, must demand everything from government? What would the social research people say about this?

We are a young nation with a great future if we handle our resources correctly. Surely, the main resource is the imagination, enthusiasm and the energy of the people. At what point can we say to them that federal taxation is stable and that they can push on with their plans within a known framework of tax obligation?

As I said earlier, I agree with taxation on capital gain. There is no reason why this source of income, to all groups, should not be taxed in order to increase exemptions and lower taxes for those in the lower income group, but there should not be any tax on a bona fide home or homestead, or on the furnishings except where the value of these furnishings is relatively high.

Paragraph 3.19 reads in part, "Generally, capital gains on the sale of homes would not be taxed." I disagree with this interpretation. In my opinion, there would be taxation in almost every area in Canada where there is growth.

Paragraphs 3.22 and 3.23 provide for a tax on personal belongings and furnishings such as stamps, jewelry, fur clothing, paintings, sculpture, rugs, books and other works of art if the sale price exceeds $500.

A homeowner would be allowed an increase of $1,000 a year, plus $150 a year for improvements. The average person would spend, say, between $500 and $700 a year on improvements so a complete record of screen doors, storm windows, new hinges, new water taps and roof repairs would have to be kept. In many cases, these records would have to be maintained for as long as 40 or 50 years. Unless there were audited statements, imag-