

The Budget—Mr. Stanfield

Mr. Stanfield: I will come to that in a minute. That is another advantage in what I am proposing. It would be a simple calculation for the taxpayer, and there is no difficult administrative problem for the Department of National Revenue. If the cost of living in any year has increased by 10 per cent above 1971, then the income for tax purposes would be reduced by that percentage. That involves a very simple calculation. This would produce tax payable in 1971 dollars. Another very simple calculation would convert that figure back into the current dollars of the year to indicate the amount of tax available in the dollars of the year in question.

As of the inception of the so-called tax reform, schedules of personal income tax rates and exemptions were fixed for an indefinite period in the future. Under my proposal, these ongoing schedules would relate to ongoing real income rather than to inflated cash income. Thus, the federal tax payable would be free from any inflationary component so far as personal income tax is concerned. This would be just for the taxpayer, and it would force any government to come out into the open. If the government needed a bigger share of personal income to finance its operations, it would have to come before parliament and seek an increase in rates rather than relying, as it now does, on inflation to do its dirty work for it. The government can no longer count on inflation through graduated income tax rates to provide it automatically with a bigger and bigger share of the real income of taxpayers and a bigger and bigger share of the gross national product.

This proposal would be fair to the taxpayer. If his real income rises through the years, he will pay more income tax in real terms, but if he does no more than keep pace with the rise in the cost of living, he would not be penalized; he would pay the same rate as before. It is a simple proposal to calculate income taxes in any year by computing personal income in that year in 1971 dollars. It is a simple proposal but, as the minister realizes, one with tremendous implications. First of all, it would protect citizens from tax increases imposed upon them by inflation rather than imposed upon them as a result of an increase in their real income.

Mr. Sharp: It doesn't. It just changes the tax rates.

An hon. Member: You don't understand it.

Mr. Stanfield: May I remind the Secretary of State for External Affairs that centuries ago parliament fought the king for the right to control taxation. It achieved that control. But in recent years, that control has been very largely eroded through the ability of the government to increase tax rates in fact without changing the schedules, as a result of inflation. The steady inflation we have had for years has emasculated parliamentary control over taxation. My proposal would restore the fundamental principle of parliamentary control over the rate of taxation.

• (1640)

Some hon. Members: Hear, hear!

Mr. Stanfield: Second, this principle would give parliament greater control over government spending and gov-

[Mr. Turner (Ottawa-Carleton).]

ernment waste. The government could no longer count upon inflation to ensure that a given tax structure would, in each year, place in its hands a greater percentage of the gross national product. The government would be under heavy pressure to economize. It would be collecting personal income taxes in terms of 1971 dollars but it would be paying its bills in terms of current dollars. Everybody concerned about government waste, everybody concerned about the government taking more of the GNP without anybody's permission, should enthusiastically support the kind of proposal I am putting forward. Clearly, this proposal would not only remove the vested interests of the government in inflation but would give the government a positive motivation to fight inflation.

As the leader of a government, I would implement the proposal fully, given the chance, as of January 1, 1973. The cost of living de-escalator would be applied to 1973 for a tax de-escalation in a proportion to be determined by Statistics Canada, on the basis of comparison between the cost of living for the 12 months terminating September 30, 1972, and the 12 months terminating September 30, 1971. For convenience of calculation, we would go to the nearest percentage point. Clearly, there would have to be discussions with the provinces. There is no doubt about that. There would have to be discussion in connection with their own problems associated with maintaining a single joint tax return. I think this would probably involve the negotiating of new tax agreements with the provinces rather than the standpat agreement of which the minister is so proud, and while we were negotiating these with the provinces we would make a real effort to get sensible integration between the capital gains tax and the succession duties of the provinces.

For the balance of 1972, we would adopt an interim arrangement. We propose to assume the cost of living in 1972 to be about 5 per cent higher than in 1971. There has already been a tax reduction of 3 per cent which came into effect as of last October. That means there is still 2 per cent to be taken care of now. I repeat we are assuming a 5 per cent increase in the cost of living, and there has been a tax reduction of 3 per cent. This would involve a cut of 4 per cent in tax rates for the last six months of 1972 which, I think, would involve about \$160 million. This would mean that it would be an interim arrangement to be in effect this year. This would be fair to the taxpayers. It would encourage a feeling of fairness and, therefore, restraint in Canadian society. It would stimulate the Canadian economy, and thereby tend to cut down unemployment, rather than accept the massive degree of unemployment that the government is accepting. We are concerned about unemployment. We are concerned about inflation. We are concerned about the ever-growing percentage of the gross national product that the government is acquiring without any authorization. We are concerned about restoring parliamentary control over government taxation and government spending. We are concerned about government waste.

This afternoon, Mr. Speaker, I have outlined, and I am afraid at rather great length, some specific, concrete and, I believe, effective measures for implementing this concern, for fighting unemployment, for removing the government's vested interest in inflation, for controlling the government's percentage of the GNP, for increasing par-