57. A $40 universal benefit at age 70 is equivalent to an estate, valued on an annuity basis, of $4,690 for males aged 70, $5,500 for females aged 70, and $10,190 for a married couple of eligible age. This takes no account of the value of old age assistance payments to persons in the age group 65 to 69.

58. Looking at such benefits from an economic point of view, it may be assumed that most of them will be spent on the basic necessities of life—food, clothing, shelter and medical attention. Like family allowances, the program here contemplated would tend to stabilize consumer purchasing power and employment, particularly in less favourable economic periods.

59. The Committee has carefully considered the argument that such a universal system for persons 70 and over is economically wasteful in that it provides the same benefit to rich and poor alike regardless of their need. It is true, of course, that, under any system which abolishes the means test for the group presently of pensionable age, benefits will be paid to some persons who do not "need" them on any test of personal need. But it must be remembered that to the extent that the universal pay-as-you-go system is based on individual contributions, individuals in the upper income groups would, through their personal contributions, have bought and paid for their own retirement security, as well as making a substantial contribution towards the cost of retirement security for others. In view of these facts, the Committee does not consider that it would be equitable to impose a "means test in reverse" and wholly deny retirement benefits to those individuals who have actually made the largest direct contributions to the revenues from which the universal benefits will be paid.

60. A certain amount of the benefits paid to persons in the upper income levels will be recovered through the normal operation of the income tax, if benefits are considered as taxable income. Furthermore, if the special income tax exemption of $500 presently applicable to persons 65 and over were to be withdrawn from persons receiving the universal benefit, an additional amount of the order of $6 million would be recovered. The Committee has not considered it necessary to deal with this problem beyond pointing out that any adjustments which may be considered necessary or desirable can be made, as in the case of family allowances, through alteration of prevailing income tax exemptions.

Distribution of Cost

61. The introduction of a universal pension of $40 a month at age 70 would relieve the provinces of the cost which they are now bearing under the federal-provincial program of old age assistance. This would enable the provinces to share in the cost of old age assistance to those over age 65 who will not be eligible for the universal pension.

62. The information placed before the Committee indicates that the total cost of old age assistance to those found eligible over age 65 would not exceed $64 million at the present time under an eligibility test similar to that which now exists under the old age assistance program. If, therefore, one-half of the cost of the assistance program were to be paid by the federal government, the provinces would be left to pay about $32 million, or slightly less than the cost that they now bear under the joint program of assistance at age 70. It should also be kept in mind that the provinces would, in addition, be relieved of certain expenditures which they are presently making, together with the municipalities, in respect to public assistance and institutional care for groups 65 years of age and over.