

The Budget—Mr. Mahoney

tain adequate levels of social assistance on a universal basis regardless of need. Canadians do not begrudge adequate social assistance payments to their fellow citizens who are in need, and in fact that is what we have done in the budget for our senior citizens in need, for our veterans and their dependants. These proposals of May 8 assure a continuation of the most generous of such programs in the world. They are perhaps not as generous as we would like, but they are as generous as we can presently afford and the best available in the world. We can, and we will, do better as we are able to afford it. The record of this and preceding Liberal governments is a firm testimonial to that.

In 1963 there was no guaranteed income supplement and old age security payments stood at \$65 per month for senior citizens aged 70 or more. In 1964 the old age security was raised to \$75 and in 1965 the age of eligibility was reduced to 65. A \$30 guaranteed income supplement was introduced in 1966 and a cost of living escalation with a 2 per cent ceiling was introduced. In 1970 the old age supplement was fixed at \$80 and the escalation applicable to it alone was removed. The guaranteed income supplement was increased to \$55 for single persons and \$95 for married couples and, of course, the escalation with the 2 per cent ceiling on combined old age supplement and the guaranteed income supplement continued.

In the past few days parliament has, at the government's initiative, amended the Old Age Security Act to provide for cost of living escalation, without a ceiling, for both old age supplements alone and combined old age supplements and guaranteed income supplements. It also increased the guaranteed income supplement to \$70 per month for single persons and \$125 for married couples. In summary, during a decade of Liberal governments our most needy senior citizens have seen their pensions increase by over 130 per cent, from \$65 to \$150 per month if single and by almost 120 per cent, from \$130 to \$285 per month, if a married couple.

The other proposal to meet the challenge of unemployment is the Stanfield "constant dollar" plan. Again, whatever its possible merits, it does nothing about jobs. Rather, it is a bit of fiscal sleight of hand designed to achieve one thing and one thing only. It is designed to prevent the inflationary element in an increase in income from moving a taxpayer into a higher tax bracket. The opposition leader claims that it would also give parliament greater control over government spending, but this point is entirely fatuous.

Parliament controls government spending through its review of budgetary proposals on the revenue side and a review of estimates on the expenditure side. Nothing in the Stanfield "constant dollar" plan would change that. All that would happen is that the government would have to provide for the revenue lost through the plan in its budgets either by increasing its deficits, increasing taxes or a combination of both. There is simply nothing magic in the plan that would either enhance or impair parliamentary control of either spending or revenue.

The plan presents a number of difficulties, some formidable. It would present an administrative challenge in determining proper payroll deductions. Its application to capital gains accumulated over a period of years, but

included in the tax return for the year of realization, would seem to call for clarification to say the least. That sort of problem can doubtless in this age of computers be overcome somehow, and I want to make it clear that I do not regard administrative convenience or inconvenience as a determining factor in doing or refraining from doing something otherwise desirable. That is and will continue to be among the criteria that I will apply in the ongoing review of tax policy. Nevertheless, administrative difficulties must be solved and the opposition leader has given us no clue as to how he would cope with them.

• (1530)

The progressive personal income tax is generally regarded as our fairest tax. It is also a fair and effective fiscal tool. Elimination of the inflationary element from it would weaken it as a fiscal tool. Then, too, government expenditures are met with current, not constant, dollars. For both of these reasons, to strengthen its fiscal policy and to make up eroded revenues, the government would inevitably be required from time to time to increase some tax or other.

If the increase were applied to some other tax, the sales tax for example, the price paid to avoid inflationary increases moving taxpayers into higher tax brackets will be an increased burden of a less fair tax. If the increase were applied to the fairest tax available, the whole exercise would prove illusory, undoing what the Stanfield "constant dollar" plan set out to do, nothing more than a gimmicky bit of fiscal sleight of hand. We could refrain from doing anything, see deficits increase ad infinitum and accept a weakened fiscal stance. None of these results seems worth the benefit.

Then there is the matter of provincial revenues. The leader of the opposition acknowledged this particular problem. Under the reformed tax law we have achieved uniformity of our personal income tax system across Canada. Even Quebec, by accepting the federal revenue guarantee, has conformed its personal tax system to the new federal system. This in itself is a major achievement.

I have used the revenue estimates contained in the Conservative press release where available. Oddly enough, while scrupulously giving detailed estimates and examples in other areas, the press release is silent on the revenue implications of the *pièce de résistance*, the constant dollar proposal. However, the Department of Finance estimates that the federal revenue cost would come up to \$375 million the first year. The full provincial revenue cost over and above that would aggregate in the area of \$120 million. These totals would obviously increase annually in the absence of increases in tax rates and, if the balance of the system achieved by the tax reform is to be preserved, in the absence of revisions of exemptions and deductions on an ongoing basis.

I am convinced that our provincial governments are as anxious as we to do the right thing. They will want to preserve the taxpayers from a tax jungle. If they see \$120 million as a proper initial price for them to pay for not permitting inflation to bump taxpayers into higher tax brackets, they will be beating a path to the finance minister's door urging acceptance of the Stanfield "constant dollar" plan. No doubt they will be led by the Tory pre-