

*Taxation Reform*

one of the factors which has promoted and is promoting a disenchantment with federalism and has resulted in a real threat to the future unity of our country.

I submit to you, Mr. Speaker, not in any dogmatic way but in a realistic way, that none of these disparities will disappear on a permanent basis if it is left to private corporate enterprise to do the necessary investment and build the necessary industry. Private enterprise has not done anything for the last hundred years because it was not profitable to establish industry in those areas, and it will not do anything for the next hundred years because it will still not be profitable to do so. The only way in which to meet the challenge of the 'seventies, the 'eighties and the years to come is by making a much larger, indeed, a massive infusion of public investment and public ownership in the disadvantaged areas of this country. This might often be done in partnership with private investment and private ownership, but the direction would have to come from public agencies and, primarily, from the federal government. This is the only way to deal with regional inequalities, increasing prices, pollution, urban renewal and all the other issues which face this country.

• (2:40 p.m.)

The need is for more funds, not less, in the hands of the federal government, and more funds in the hands of the provincial governments. A tax system which puts a premium on private ownership as against the development of public goods and services in this country is a reactionary and retrograde tax system. Yet this is exactly what the white paper proposes. This white paper falls short of such criteria which to me seem essential to any decent tax system.

Improvements have been made; no one denies that. Even the Minister of Finance, when setting out to change the present inequitable and deplorable tax system, could not avoid improving it. He started at the very bottom and had nowhere to go but up, so even he could not make it worse. I do not propose to praise him or to thank him for that. He has set out to make the system a better one, but I suggest there are many more things he could have done to make our tax system a really equitable one.

Let me deal with some specifics of the white paper. Everybody agrees that a taxation system should be equitable, and let us look at the equity of the proposed system. Despite the fact that the exemptions have

been raised, during the last 20 years, since 1949, the cost of living index has increased by 64 per cent. Yet the increase in exemption is only 40 per cent. This means that the taxpayers are not even in the position they were 20 years ago, let alone having their position improved.

On the whole, exemptions favour those in the upper income brackets. No one has stated this more eloquently than the Minister of Finance did in 1962, when the minister was sitting in opposition. He said, as reported I think at page 1696 of *Hansard*, that an increase in exemptions merely favours those in the higher income brackets and does not benefit those in the lower income brackets. This is always the pattern when you lower or increase the exemptions.

When you increase a single man's exemptions from \$1,000 to \$1,400, those in the lower income brackets may save \$20 or \$30, whereas those in the higher income brackets will save \$200 or \$300.

**Mr. Benson:** Would the hon. member permit a question? Does he realize that through the adjustment in the rates the people who are going to benefit are those who are single, up to an income of \$3,400, and married people up to an income of \$9,100. Those earning more will pay more tax. There has been a change in both exemptions and the rate of tax.

**Mr. Lewis:** I assure the minister that I am aware of what he says, but I contend it is not very helpful to his case. He would have to show me that the entire \$200 or \$300 saving from the exemption accruing to those in the upper income brackets has been offset by the increase in the tax rates, and it has not, as I will point out in a moment.

I suggest that we do not need exemptions any more. Anyone who has studied modern tax systems realizes that merely increasing exemptions favours those of upper income, not those in the lower income brackets. The Leader of the Opposition will correct me if I am wrong, since I did not make a note of what he said, but he pointed out that working mothers' allowances would favour the wife of an upper or middle income husband who wanted a career for herself, to which of course she is entitled. She would be in a much better position than the wife of a working man who makes \$5,000 and pays a much lower rate of income tax. The same is true not only of working mothers' allowances but also of personal exemptions.