

*Restraint of Government Expenditures*

having every department put out its own press releases, this would all be done by Information Canada.

We discovered that it did not happen that way. The departments increased their public relations activities, and one of the supposed aims of Information Canada was not achieved. Instead, Information Canada began publishing material not otherwise available, and opening book stores—all of which I think was good. Because of criticisms levelled at Information Canada from the floor of the House, I suppose the government felt it had no option but to yield to those criticisms and, in the name of restraint, to do away with Information Canada. Now it has gone. Let mine be a voice that is not happy about it.

I move on, sir, to what I think is the main example in Bill C-19 of practising restraint in the wrong place. I refer to the cancellation, for the year 1976, of the escalation of family allowances. The government has been able to say, in effect, "We have saved over \$200 million by this means." But it will have been saved mainly at the expense of families and largely at the expense of families in lower income brackets. To me, sir, this is practising restraint in the wrong place. It is making those who can least afford to pay for the government's economic measures pay the larger portion of them.

Let me mention other examples of restraint for which the poor must pay. One such example was brought out particularly in the report of the National Council of Welfare which reached us last week. I confess I was surprised today, after my leader, the hon. member for Oshawa-Whitby (Mr. Broadbent) asked the Prime Minister (Mr. Trudeau) some questions about this report, to hear the Prime Minister reply that he had not seen or heard of this document. After all, the National Council of Welfare is an important body, set up and funded by the federal government. It is not some outside agency. It was set up and funded by the federal government for the purpose of making recommendations to the Minister of National Health and Welfare on matters of welfare policy.

In the past two or three years it has produced a number of excellent reports which turned the searchlight on inequities and unfairness in our welfare system and society as a whole. The current report, which I hold in my hand, is entitled "The Hidden Welfare System." It is a timely report, coming, as it does, when the government is talking about the need for restraint. The theme of the report, "The Hidden Welfare System," is that the people of Canada are having to pay to certain individuals at least \$6.4 million a year because of the unfairness of the exemptions built into our income tax system. This unfairness is documented in this report which is some 40 pages long. The inequity is highlighted extremely well on pages 16 and 17 which tell us how the hidden welfare system works. I do not wish to quote all the material on these two pages, but I will say that these two pages refer to 60 subsidies under the Income Tax Act, with respect to 17 of which the Department of National Revenue provides useful and comprehensive statistics. It is by studying the costs of these 17 subsidies that the National Council of Welfare finds that the treasury is losing, under these exemptions in the Income Tax

[Mr. Knowles (Winnipeg North Centre).]

Act, about \$6.4 billion a year. I should like to read two paragraphs of the report:

● (1610)

An examination of the \$6.4 billion cost of the 17 subsidies tells us a great deal about the hidden welfare system. To put this \$6.4 billion into perspective, it is equal to well over one-fifth of the entire federal budget in 1974. It was 4½ times the cost of the Olympic Games and 19 times the total new costs of the support and supplementation programs. It was enough money to have provided every family in Canada with an extra \$100 per month for food and clothing.

But this \$6.4 billion was not distributed equally among Canada's families. The poorest of the poor, those with incomes below the tax-paying threshold, received none of it. For all others the rule was, the higher their income the higher their benefit.

Then follows a table which sets out various income brackets and average benefits received. There are those in the very low brackets who get no benefit at all from the 17 subsidies under the Income Tax Act. For those whose taxable income was under \$5,000, the average benefit was \$243.75. That sounds good, if you are a low income person. But if you are in the group from \$20,000 to \$25,000, the average benefit is \$1,786.93; and for the group whose income is over \$50,000, the average benefit is \$3,989.78. Listen to this paragraph, and I am quoting again from the report.

It would be difficult to imagine any direct and visible government expenditure program which gave \$244 to those with income of less than \$5,000 but \$2,427—ten times as much—to those with incomes of between \$25,000 and \$50,000, and \$3,990 to those who make over \$50,000 a year. No government would dare propose such a program. And yet the hidden welfare system does just that, and there is hardly a protest to be heard.

I might add that when there was a protest today from my leader during the question period, the Prime Minister did not even know what he was talking about. I quote again:

The reason the hidden welfare system can get away with it is precisely because it is hidden. The low income taxpayer saving \$200 cheers his saving and remains oblivious of the \$2,000 saving granted to the person with five times his income.

I might say that in this report it is suggested that if details of all the 60 subsidies or exemptions under the Income Tax Act were obtainable, instead of just 17, it would probably turn out that the total figure would be not \$6.4 billion but several billion dollars higher than that. What I am saying is this: if there needs to be restraint, why not practice it here, why not practice it on those who are getting these hidden forms of welfare in the guise of income tax exemptions instead of imposing it on persons who receive family allowances and on the poor generally? It is our contention that the place to practice restraint, the place to practice economy, is where it can be done without hurt to those concerned, instead of where it really hurts our people.

Another question which was asked today raises the whole subject of restraint. My hon. friend from Yorkton-Melville (Mr. Nystrom) did not get very far, nor did one of the hon. members in the Conservative party.

**An hon. Member:** The member for Prince Edward-Hastings (Mr. Heas).

**Mr. Knowles (Winnipeg North Centre):** He did not get very far with it, either. I am referring to the ministerial use of