changes will be to place the insurance industry in closer competition with other investment institutions for the savings dollar of the individual.

The new social development tax reflects the tremendous growth during this decade of programs to relieve poverty through income maintenance programs, and to provide better health and social services and economic opportunity programs and aid to education. The federal government now is spending more than $5 billion annually on social development programs. The extent of this undertaking and growth in recent years is shown by comparing this figure of $5 billion to that of only a decade ago when federal expenditures on such programs totalled only about $1.5 billion and accounted for only about one quarter of the budget. We are now in the midst of a thorough review of all these programs so that we can ensure that these vast sums are spent in the most efficient way possible.

• (8:10 p.m.)

Although we think savings can be brought about, the programs themselves were necessary as a response to a society that is experiencing a rapid growth in population, the fastest rate of family formation in the western world, the impact of a new technology, and quick expansion of its cities. Last year it was noted that one index listed 159 different programs to relieve poverty and promote good social development. The costs of most of these have increased year to year, but the most startling growth has been in four areas—health insurance services, welfare, post-secondary education and unconditional payments to the less wealthy provinces. All are shared-cost programs, some undertaken at the request of the provinces and others in consultation with the provinces.

The budget papers tabled on Tuesday show that of the $911 million increase in budgetary expenditures in 1968-69 over 1967-68, $451 million—or almost half—was accounted for by increases in these four fields. This represents an increase in one fiscal year of 27 per cent.

The government last year decidde that not only was a review of all these programs required, but chose to institute a special tax to help pay for them. I emphasize the word help, because the $440 million we hope to raise this fiscal year through this tax would not quite take care of the increase for the last fiscal year in the four programs I have been talking about. The progressive tax on persons and corporations, the sales tax and the excise tax still pay for the bulk of our social development costs.

After lengthy discussion, it became apparent that the fairest way to pay for part of these broadly-based social development programs was to impose a special tax designed like a premium. We have precedents for such a system.

It was used to finance the old age security system. It made sense in this case because some of the fastest growing programs are for hospital and health insurance—services which would involve large costs for families if there were no government programs. A premium system was also used for the Canada Pension Plan. The social development premium, like the others I have mentioned, are graded according to one's ability to pay. Anyone whose gross income is about $8,000 or more pays the full premium, while for those earning less money the premiums are scaled down. For instance, a married taxpayer with two dependent children and earning $7,000 annually pays a premium of about $86. If he earns $6,000, the premium is about $66; if he earns $5,000, it is $46 and so on. Those earning below the basic exemption level pay no premium and all of their costs for these redistributive programs are carried by the treasury. If it is remembered that those persons who pay less than the full premium generally are those who benefit most from these programs, and that this tax pays only for a small part of these programs, this measure can, I believe, be considered progressive.

The provinces, not unnaturally, were displeased with this tax. By placing it in a special part of the Income Tax Act it has no effect on provincial taxes or revenues. If the additional revenues had been raised simply by increasing the graduated rates of tax applicable to income the provincial governments would share in the additional revenues. This would have required us to impose a tax to yield substantially greater revenues than $440 million. And it would have meant that the federal government would be held responsible not only for its own tax increase but also for the effective tax increases by the provinces. This would be contrary to one of the principles adopted by the federal government in 1966—the principle that future fiscal arrangements should provide that each government be accountable to its own electors for its taxing and spending decisions.