Mr. GILLIS: Not comparable with that in the countries you mentioned.

Mr. LESAGE: Yes, but they pay for it otherwise, and we shall see that in a few moments.

Mr. GILLIS: And spend it back.

Mr. LESAGE: Here is how it goes in these socialistically governed countries. In the United Kingdom the combined effect of basic exemptions and earned income allowance of one-sixth—the budget of April 15, 1947—is to exempt income up to the following amounts: single person, $540; married person, $884, or a little more than half what we have here; married, one child, $1,165; married, two children, $1,456.

Mr. MACKENZIE: That is the socialist government.

Mr. GILLIS: Did you ever check what the dollar buys?

Mr. LESAGE: In the United States where a dollar does not buy what a dollar buys here—

Mr. NICHOLSON: Have you the state tax?

Mr. LESAGE—it is not proposed to change exemptions under the bill passed by the house of representatives. The present exemptions are as follows: single person—$500; married person—$1,000; and for children $500. But in addition, a deduction equal to ten per cent of income is allowed in lieu of deductions for charitable donations and medical expenses; and they have to pay, through a contributory system, for their old age pensions.

Mr. GILLIS: And what else?

Mr. LESAGE: They have no family allowances in the United States, if I remember rightly. The exemptions proposed in the latest Australian budget to take effect as from July 1, 1947, are as follows: single person, $800; married person, $1,267; married, one child, $1,642; married, two children, $1,830. For social services contribution—a tax of roughly 7½ per cent of income—exemptions are as follows: single person, $336; married person, $643; married, one child, $909; married, two children, $1,018.

In New Zealand, income tax exemptions are as follows: single person, $648; married person, $972; children of family allowance age, no deduction; other dependents, $162.

No exemption is allowed against the social security contribution, a tax of 7½ per cent of income.

I said that there were three main arguments against an increase in the amount of exemptions at this time.

Mr. GILLIS: I should like to be speaking right after you.

Mr. SPEAKER: Order.

Mr. LESAGE: I have given two. The third one is that an increase from $750 to $1,000 and from $1,500 to $2,000 would have resulted, in the words of the Minister of Finance at page 2554 of *Hansard*:

> . . . in a very substantial loss of revenue because it affects all taxpayers, including those in the highest brackets, and the saving for each taxpayer is his highest rate of tax applied to the increased amount of his exemption. . . . If, as some have suggested, we restored the pre-war levels of exemptions, we should have to sacrifice more revenue than the whole of that sacrificed by the rate reductions I am now proposing, and we would be doing practically nothing by such action to reduce the rate of tax on additional earnings for those who remain subject to income tax. It is the high marginal rate of tax on additional earnings that discourages additional work, enterprise and initiative, and consequently we must aim in our reductions at cutting down these marginal rates of tax.

The loss of revenue, as a matter of fact, would have been something around $275 million for 1948 when the forecast loss due to the proposed reductions should be $175 million in 1948.

Mr. GILLIS: Why not go on then and use the Bank of Canada to finance a lot of these things?

Mr. LESAGE: I did not know that the hon. member was becoming a little of a social crediter.

Mr. GILLIS: The hon. member is a socialist.

Mr. JOHNSTON: It is a good idea, though, is it not?

Mr. LESAGE: I am not so sure about that.

Mr. GILLIS: The hon. member is a socialist, and that is socialist mechanics.

Mr. SPEAKER: Order.

Mr. LESAGE: I do not have to repeat the reasons given by the Minister of Finance for being careful at this time. I do not have to repeat what I said at the beginning of my remarks about the obligation which would be ours to replace by indirect taxation the revenue the government would lose by a further cut in direct taxation.