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ECONOMIC COUNCIL SCANS CANADA'S FUTURE

Predicting, in its latest appraisal of expected trends, strong growth in the Canadian economy until 1980, the Economic Council of Canada suggests that governments at the federal, provincial and municipal levels should be able to maintain – or even reduce – current taxation rates and still have rising revenues to finance existing programs and launch new ones.

In its ninth annual review, released in November, the Council outlines the following possibilities based on the assumptions of vigorous economic growth in the major countries, the continuation of today's tax-rates, and a slight decline in population increase.

From a level of $84.5 billion in 1970, the volume of total production in Canada would rise at an average annual rate of 5.6 per cent and this coupled with price increases averaging a little less than 3 per cent annually would raise the gross national product to almost $190 billion by 1980.

Even though the labour force would continue to expand rapidly – at about 2.8 per cent a year in 1970-80, compared to 2.9 per cent in 1960-70 – the economic growth would mean an even faster increase in jobs, so that unemployment could be expected to decline to about 4 per cent by the end of the decade.

Employment gains, coupled with a slight increase in productivity growth, would result in a faster increase than in the 1960s in real disposable income, that is, take-home pay adjusted to eliminate the effects on inflation. *Per capita* income would increase during the 1970s at an average annual rate of 4.1 per cent, compared to 3.5 per cent in the 1960s. Consumer spending would rise from $1,800 *per capita* in 1970 to over $2,600 in 1980, not including price increases.

The stage would thus be set for sharply rising government revenues. Because of the "progressive" nature of income taxes – with rising incomes raising the recipients into higher tax brackets – personal income tax revenues would jump from $11.5 billion in 1970 to almost $31 billion in 1980, without any change in income tax rates from today's levels. Similarly, the higher consumer spending and price increases would mean that existing rates of indirect tax – sales and excise taxes, and import duties – would boost those revenues from $12 billion to almost $26 billion over the ten years. Corporation income taxes would more than double, from $2.9 billion in 1970 to $7.9 billion in 1980.

Adding in the other sources of government revenue, such as withholding taxes and investment income, the total "take" of all three levels of government, which rose from $10.2 billion in 1960 to $30.1 billion in 1970, would more than double again to almost $77 billion by 1980. At this level, governments in Canada would be taking up almost 40 per cent of GNP, compared to 27 per cent in 1960 and about 36 per cent now.

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