

Old Age Security Act Amendment

• (7:10 p.m.)

We have been asked by one member after another, Why don't you give all the pensioners \$25 or \$30 more a month and recover from those who pay taxes in the form of income tax? That approach was advocated by the hon. member for Winnipeg North Centre in a rather surprising declaration of principle which I will not deal with tonight. It was also advocated by the hon. member for Victoria-Carleton (Mr. Flemming) and by other hon. members who seem to believe that the proper way to proceed is to pay everybody and recover the money from those who pay taxes. Naturally, Mr. Speaker, this is an approach that ought to be and has been considered. It would certainly be simpler to pay a higher universal flat rate and recover much of the additional cost through income tax. That is the approach that has been put forward by quite a number of members and it is an approach that we have considered.

I want to point out, first of all, that recoveries under the existing old age security program are not as large as many people think. For example, it is estimated that under the present \$75 old age security program the expenditures in 1967 will amount to \$1,110 million. Would the hon. member for Winnipeg North Centre care to estimate the recovery in taxes from that amount of money? Would he care seriously to suggest that this is an alternative to the program I am putting forward? We estimate that recoveries will be only \$33 million and, as I say, the expenditure will be \$1,110 million.

If the flat rate pension, for example, were increased in the manner advocated by the hon. member for Winnipeg North Centre, namely, to \$105 payable to all old age security recipients, the total cost in 1967 would be \$1,552 million. What would be the net recovery from income tax, Mr. Speaker? Only \$48 million. In other words, expenditure would be increased by \$442 million while income tax recoveries would be increased by only an additional \$15 million.

We know that the incidence of income tax is progressive but it does not, as appears from what I have said, provide sufficient recoveries to have any sufficient effect on decisions with respect to an increase in the flat rate benefit. In other words, some recoveries are made but in relation to the outlays they do not represent an alternative course of action that would appeal to the government or, I am sure, to the House of Commons.

[Mr. MacEachen.]

Mr. McCleave: Could I ask the hon. gentleman a question? In making this calculation has he taken into account the effect on other people's incomes, that is, the incomes of storekeepers and merchandisers generally, that this extra flow of money would have?

Mr. MacEachen: Of course we have, Mr. Speaker, but I am dealing with this particular point which has been a major point in the debate. What I am saying is that the effect of the program that I am recommending is likely to be greater in its effect on income than is the alternative advocated.

Mr. Walker: Would the minister accept a question? Would he advise me how many members of parliament and senators would be beneficiaries under the flat rate increase?

Mr. MacEachen: Mr. Speaker, I have already put that on the record twice and I am afraid I would offend some of my hon. friends opposite if I put the numbers on again.

Mr. Knowles: Would the hon. minister permit one other question on his figures? Do they include recoveries from sales tax and corporation tax or only from income tax?

Mr. MacEachen: I am dealing with the proposal which was made in the house so frequently in connection with income tax recoveries. I have asked that an estimate be made of the net difference in expenditure between the guaranteed income proposal set out in this bill and the proposal for \$100 a month payable to all old age security pensioners. I am told that the net difference, taking into account tax recoveries, would be of the order of \$97 million in 1967 and \$176 million in 1970. In other words, Mr. Speaker—and this is a very important point—even when account is taken of income tax recoveries under the two proposals which have been made, while the guaranteed income program pays a higher maximum benefit it will still cost about \$97 million less in 1967 and about \$176 million less in 1970.

Mr. Kindt: May I ask the minister whether he has also taken into consideration the additional cost of administration?

Mr. MacEachen: I should like to come to that point in a moment. I think hon. members will at least want to consider whether the tax recoveries that have been suggested as an alternative are of the magnitude to make that alternative a realistic one.