But, of course, without more evidence, the opposite premise, namely that the trend away from consumption taxes at the federal level is leading to the optimal tax mix, is just as plausible.

In judging the "correctness" of the tax mix, one of two obvious standards might be used. First, the tax system is one of the policy instruments the government uses in achieving its stabilization, allocation and redistribution objectives; therefore, the tax mix might be evaluated in terms of how effective it renders the tax system as a policy instrument in achieving these objectives. Unfortunately, those who support increasing reliance on consumption taxes have not specified a policy objective that requires a tax-mix change. By contrast, those who oppose the shift in the tax mix towards consumption have argued that unless substantial revenues are collected through income tax, the effectiveness of the overall tax system in reducing income disparities will be impaired.

Canada's tax mix might also be judged by international standards. In 1987, according to comparative revenue statistics of member countries compiled by the Organization for Economic Cooperation and Development (OECD), Canada collects 28.9 per cent of total taxes from taxes on goods and services.

This is taking federal and provincial together.

> This is slightly below the OECD average of 30.3 per cent. Canada collects substantially more in taxes on personal income than most OECD countries: Canada collects 38.7 per cent of total taxes from taxes on personal income; the OECD average is 30.7 per cent. However, when social security contributions, which in most countries are equivalent to a tax on labour income, are added to direct income taxes, Canada's tax burden on personal income is below the OECD average: 52 per cent of Canada's total taxes are collected from both these sources; the OECD average is 55 per cent. Certainly by international standards, Canada's present tax mix does not look out of line. Nor would it be out of line with the tax mix in other countries if substantial revenues were shifted to either income or consumption taxes.
>
> Although this paper is not the place for an in-depth international tax comparison, two further points might be noted in making a judgment about Canada's tax mix by international standards. First, the United States, with whose retailers Canadian retailers must now compete, places very little reliance on general sales taxes. Governments in the United States collect only 16.7 per cent of total taxes from taxes on goods and services. Second, most of the OECD countries that collect more revenue than Canada from regressive consumption taxes also collect some amount of revenue from various forms of wealth taxes that fall exclusively on the very rich. Canada is one of only two OECD countries that does not have a general tax on wealth or wealth transfers.
>
> (ii) To Increase the Fairness of the Tax System

[Senator Gigantès.]

> It is commonly asserted that taxes on consumption are unfair: because consumption as a fraction of income declines as income increases, low-income individuals necessarily devote a larger percentage of their income to such a tax than high-income individuals. However, a number of commentators, economists in particular, have suggested that a tax on consumption is in fact fairer than a tax on income.

• (1650)

> One equity argument sometimes heard in support of taxes on consumption rests on the notion that it is fairer to tax people on the value of the goods and services they take out of the economy (the goods and services they purchase) than the value of the goods and services they contribute (their salaries). Two points might be noted about this argument. First, although taxing consumption might have the connotation of favouring foresight and thrift, in fact, the ultimate purpose of saving is future consumption, and a sceptic might ask, why should wanting to consume in the future have moral primacy over wanting to consume currently?

Senator Olson: I should like to ask a question, Senator Gigantès. You are discussing the matter of fairness of a consumption tax vis-à-vis an income tax. Could you give us your views on the cost of collecting it?

There is going to be an army of tax inspectors and policemen of various kinds. There will be small amounts collected on every transaction, whether it is goods or services. In the part of Canada that I come from, that is one of the main objections to Bill C-62. It is not so much the money. People have said over and over again that they realize the federal government has to reduce the deficit. They are hoping the government will do something about monetary policy so that interest rates will come down. Apparently the government stubbornly refuses to deal with that.

The people who live in my part of Canada realize that the government needs more money, but they do not like to be made slaves of accounting to the federal government or to any government, for that matter. As you know, Alberta has no provincial sales tax.

Perhaps there should be a straight sales tax without all the opportunities for rebates because rebates complicate things greatly. Then we could pass out money to the poor people through the present social welfare system. Would that not be a tremendous improvement over what is in Bill C-62?

Senator Gigantès: Thank you, Senator Olson. I have read studies that have been made about the operational effects of the goods and services tax in other countries. There is no doubt that it is very costly for governments to perceive them, as you pointed out. We are only beginning to scratch the surface of the costs. As you remember, they said it was going to cost some $200 million. The figure is now up to $475 million to pay for the tax police and for setting this up.

There is also the extreme and discriminatory administration burden for the business people. On average, that cost is 9.3 per