

prosperity or regional economic growth is not of a universal pattern in this country due to the different regional characteristics, it is imperative that any tax reform at the federal level should involve full consultation with the provincial governments.

I should like also to refer briefly to estate and gift taxes. In this regard I would say the decision of the government to increase the allowable tax deductions for charitable giving to 20 per cent, compared to 10 per cent, is one commendable feature of the budget. Because we have organizations like CIDA which are set up to assist and co-operate with the private sector in so far as international development is concerned, it is only sound policy to increase the amount of the deduction. This applies not only to organizations like CIDA but to other private organizations, church and otherwise.

The question of government support of education at the private level is an election issue at this time. But apart from the basic argument in that controversy, the increase to 20 per cent gives people the opportunity to have tax deductible allowances made for contributions to that kind of education. This is a good thing. It is also good for the many organizations which operate on a charitable basis, represent the private sector and play a far more important role in the over-all aspect of our economy and way of life than we usually give them credit for. So having said that, the elimination of the federal estate and gift taxes as of December 31, 1971, might be a good thing if the legislation before us passes this House by that time. It was there to avoid double-taxation because a capital gains tax will now be in effect.

• (8:40 p.m.)

According to the legislation there is no tax on bequests as between spouses. The inheriting spouse acquires assets at their original cost to the other spouse and the tax is paid only when the inheriting spouse sells or transfers the assets by gift or bequest. Gifts between spouses, outright or through a trust, are tax free but subject to tax in the donor's hands upon sale of the assets as if the donor spouse had continued to own the assets.

In respect of the impact this has had upon the provinces, we find with some surprise—and I am sure the Minister of Finance was among us—that the provincial governments attacked this very severely. The Ontario Treasurer attacked the move as too hasty and said the estate and gift taxes should be phased out as the capital gains tax is phased in, instead of creating a gap between the two which the provinces are left to fill. It will lead to loss of revenue for the provinces and create inequalities in the tax system. Without disagreeing with the basic principle of eliminating this tax, he certainly differed very strongly as to how it should be implemented.

The finance ministers of the seven provinces which do not have succession duty machinery have stated they will not be able to develop such machinery by January 1, 1972, and will thus lose revenues and become a tax haven for those in Ontario, British Columbia and Quebec. Former Premier Robarts of Ontario blasted this decision as inconsistent with the principles of tax reform and as indicative of a federal government tax reform philosophy that is solely concerned with raising money for federal spending programs rather than with a more equitable situation in

so far as tax is concerned. Mr. Robarts said that the federal decision to eliminate death taxes puts provinces in the difficult position of having to maintain a tax on wealth until the capital gains tax matures. Far from reform, he suggested, this approach simply encourages and perhaps makes inevitable internal balkanization and tax competition between tax jurisdictions, surely what any program of true tax reform should try to avoid.

Behind all this is the simple fact that we are the most overgoverned people in practically the whole world. This is because of lack of co-ordinated tax policies among the three levels of government, because every dollar each one spends must come out of the same pocket—the taxpayer's. It would have been far more satisfactory, as far as the government is concerned, in relation to inflation, unemployment and the various problems which have now developed as a result of the DISC program of the United States and its surcharge on our exports there if the government had consulted, on the one hand, the provincial governments about the whole question of tax reform and, on the other hand, had realized that instead of bringing in tax reform, so-called, it is doing nothing but increasing the take as far as the final result is concerned. It should have cut taxes and given incentives to the consuming public.

It is an interesting suggestion that in addition to increasing deficits as far as the budget is concerned, the minister should have looked a little more closely at the increased take that will occur. The combination of increased federal income and higher deficits means that the minister plans to spend \$1,224 million more this year than last year. This is more than \$100 million per month in 1971 than in 1970. He has undertaken this massive program at a time when inflation so far in 1971 is running at an annual rate of more than 6 per cent and coming up quickly. At this rate, the drop in purchasing power will be more important to the average Canadian than the tax relief the minister holds out in this budget. The amount of money that is taken in by the tax collector, more than \$100 million a month, represents a loss in purchasing power of the consumer to that extent. This pushes up inflation and makes it more difficult as far as the cost of living is concerned.

It is very interesting to note that a group of professors from the University of Toronto, speaking through Professor Thomas Wilson, when they testified before the Senate Committee on Finance earlier this year talked about the course the government was taking and said that the best means to accomplish an increase in jobs and control of inflation was to bring about a substantial tax cut. They told the Senate committee that the government's policy of cautious expansion was not enough to push the unemployment breakdown to a more desirable figure, such as the 5.5 per cent which they recommended.

They based their argument on a computer study of the economy. They told the Senators that the federal government should aim to reduce Canada's seasonally adjusted unemployment rate to a minimum of 5.5 per cent as fast as possible. They stressed the removal of the 3 per cent sales tax, which the budget does, but suggested this was not sufficient in itself and there had to be a further stimulant which could only come about through a reduction of corporate or of personal income taxes. They stated that taxes should be cut and that their preference was a