



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 113 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, April 16, 2013

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Chair

Mr. James Rajotte

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•(0845)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is meeting 113 of the Standing Committee on Finance.

I want to welcome our witnesses this morning.

We have two panels, colleagues, of one hour each. Our orders of the day today, pursuant to the order of reference of Wednesday, June 13, 2012, are for beginning our study of income inequality in Canada. For our first panel, we have four presenters.

First of all, from Canada 2020 we have the vice-president of research, Ms. Diana Carney.

Welcome to the committee.

From the C.D. Howe Institute we have the vice-president for research, Mr. Finn Poschmann.

Welcome back.

From the First Nations Tax Commission we have the chief commissioner, Chief Manny Jules.

Welcome to you also.

We have as well, from TD Bank Financial Group, the senior vice-president and chief economist, Mr. Craig Alexander.

You each have five minutes maximum for an opening statement. Then we'll have questions from members.

We will begin with Ms. Carney, please.

Ms. Diana Carney (Vice-President, Research, Canada 2020): Thank you for having me. I'm honoured to be here on behalf of Canada 2020.

I want to talk about three things. One is how great a problem income inequality is, the second is how much it matters, and the third is what can be done about it.

Globally, income inequality is an enormous issue. I think two-thirds of the world's population now live in countries in which inequality has widened over the past decade. This widening is largely due to factors that you know about: globalization, the technology revolution, changes in working hours and practices, and issues around families and family formation.

One of the key features of income inequality is that it tends to be self-reinforcing, so that the poorest groups are less able to invest in

their children and in their health and education and in other things that make for success, so inequality is typically transmitted from generation to generation. Absent policy action, we can expect income inequality to continue to rise.

But the point I wish to make today is that policy action does make a difference. I am sure you are all familiar with the basic story here in Canada. We sit in about the middle of the OECD rankings in terms of income inequality, but we stand out in terms of concentration of income at the very top end. We are third, after the U.K. and U.S., in terms of the proportion of income going to the top 1%. The Gini coefficient typically used to measure this has risen only a little over the past 10 years. It rose more in the eighties and the nineties, but a good deal of that was offset by taxes and transfers.

The point I'd also like to make is that a Gini coefficient by its very nature doesn't measure changes at the top and the bottom very well. It's good on the middle, but if most of the action is at the top and the bottom, as it is in Canada, this doesn't typically show up in the Gini coefficient.

The question is, how much does income inequality matter? It's our view at Canada 2020 that it matters a lot; our attitudes to inequality go to the very heart of the type of society we wish to build. Income inequality has many effects, and I know you're going to hear from people who are more eloquent on those effects than I am, but I'd like to highlight just a few.

For us, the key one is the link between income inequality and equality of opportunity. Inequality of outcomes—and that's post tax and transfer incomes—is inevitable and to some degree desirable, within limits. But inequality of opportunity and possibilities for economic mobility are quite different. The idea that everyone has a reasonably equal chance of success in life is I think fundamental to our society and our future. There are compelling reasons to believe that in more unequal societies there is less equality of opportunity.

I know you're going to hear from Miles Corak, who produced a great paper for us on this topic. He will show you his "Great Gatsby" curve, which shows the correlation between income inequality and generational earnings elasticity, which stands in for equality of opportunity. There's a lot of discussion around causality and correlation there, but I think we can agree that people's ability to invest in their children and the broader support institutions and structures that exist in more equal and cohesive societies make a big difference to equality of opportunity.

Canada, I'd like to point out, has been a positive outlier in this regard; relative to our levels of income inequality, one would expect possibly lower levels of economic mobility. But there is a question mark as to whether we can maintain this.

Secondly, the public are clearly concerned about this situation. They don't always know the statistics, but polling now shows that they consider this to be a very serious issue, and they do not feel they will be better off in a generation than they are now.

Thirdly, income inequality is not economically efficient, and we don't want to waste human capital.

So I would say focus on what you can do about it. It's all about institutions, about preserving and maintaining and building the institutions that have served us so well in the past—the health and the education that give everyone a fair chance in life, and child care and early childhood education come in there, too. There are many other things around the working income tax benefit—better jobs, minimum wages, other things—but we at Canada 2020 want to focus on understanding what works best in our institutions, supporting them and making sure we do not lose our edge in this area.

• (0850)

The Chair: Thank you very much, Ms. Carney for your presentation.

We will now hear from Mr. Poschmann, please.

Mr. Finn Poschmann (Vice-President, Research, C.D. Howe Institute): Thank you very much, Mr. Chairman. Members, thank you for your invitation to be here. I'm absolutely delighted to be with you for this launch of the study on income inequality.

I will agree on many fronts with Ms. Carney, but I'll take a slightly different tack, if I may. The initial point of agreement that a lot of us understand is that excessive inequality is a dangerous and socially harmful thing, and that's why this committee is right in launching a study on income inequality. In my comments I'll focus on item 4 of the motion enabling this study. I'll focus a little bit on how best to improve it.

First, some background and thoughts on what drives inequality and why it's important.

In its mildest forms, income inequality makes people unhappy, and that's where some of the polling numbers come in. Being happy is not a small thing; it's an important part of social well-being. What makes us unhappy is the alternative: a feeling of powerlessness, an inability to succeed and share in life as we see it around us. It can breed envy and make us despair, and that's not a good thing either.

Taken to an extreme, income inequality and its regular companion, asset or wealth inequality, lead not only to unhappiness but also to a lack of faith in the institutions, as Ms. Carney described—a lack of faith and trust in the world around us. What follows from that disillusionment can be big, big trouble. Populist uprisings, arising from a lack of faith in institutions, and distress owing to the limits that governments place on us can lead to revolution, can lead to overthrow of governments, and can see those governments replaced instead by superficially egalitarian regimes.

We know there's a tipping point where excess inequality leads to upheaval. The trouble is that there aren't numbers one can assign to it. Political scientists and economists can't say what defines excessive inequality, but we know there is a line that, once crossed, may lead to the upheaval I've pointed to. The result can be disasters, as we see around the world today, and bad, bad outcomes.

This committee, however, is studying inequality in Canada and what we might do about it so that we might avoid the dystopian outcomes we see, for example, in North Korea, where wealth and power belong to the few and poverty, hopelessness, and powerlessness belong to most of the rest.

In thinking about what we might do about inequality, something important to understand is what drives inequality. Why do we see inequality in a society like ours, where we try to make opportunity available to everyone? To see why inequality might come about, I did an experiment in numbers and I presented some pictures, which I believe members have. In my first figure, I have everybody in Canada start out equal. We all start at age 20 and we all get jobs paying \$25,000. That's a lot for some people, not much for others. But not only that, we all have the same opportunities and the same skills and willingness to exploit them. We do equally well in work and in life. We all start out equal, and after 40 years we're still equal. The lowest 20% of earners have 20% of the income. The top 20% of earners have 20% of the income; so too for everybody else in between.

I label this figure “Harrison Bergeron”, after a 1961 story by Kurt Vonnegut. He knew what it would take to deliver complete equality: the athletic folks would have to be burdened with weights; if you had good eyesight, you'd have to wear fuzzy glasses; if you're really bright, you'd have to have noise makers in your ears that stopped you from concentrating. That's a dystopian vision, of course, and a vision of hell. So these things matter.

Life, of course, isn't that rosy. That's why, in page 2 of my experiment, I say that skill and effort matter. I randomly distributed these across a population of tens of thousands. Assume that your skill and capacity to deliver on it, to take advantage of it, are independently distributed. What happens? You generate inequality in the first year, you generate more income inequality after 20 years, and more after 40 years.

Then I point out, as we all know, life isn't that fair. We don't all start out equal, we don't all have parents who make sure we finish high school, we don't all recognize an opportunity and grab it. We may not have parents, we may start sniffing glue or gasoline when we're kids—you get a tough break sometimes.

• (0855)

What my slide shows is that when skill, distribution, and opportunity are there, you can still do all right. There will be inequality, it will be grow over time, but it arrives.

Now the final part asks if my numerical experiment represents reality. What I did in my last slide was compare this unfortunate course of life with real outcomes, and it does a pretty good job.

The Chair: Okay. Thank you Mr. Poschmann.

We'll go to Mr. Jules, please.

Mr. Manny Jules (Chief Commissioner, First Nations Tax Commission): Thank you.

Good morning. My name is Manny Jules. I am the chief commissioner of the First Nations Tax Commission. I'd like to thank the committee for inviting me to speak on income distribution and disparities in Canada. While I'm here to provide a first nations perspective, it is a mistake to try to understand income distribution by studying one group at a time.

There are two big trends that are impacting all of us. First, most developed countries are aging, more people are retiring, and the costs of health and pensions are rising. Second, productivity growth has been flat. When the retired share of the population rises and productivity remains flat, then incomes fall. This is a mathematical certainty.

If both of these trends continue, our living standards will decline. We will have less money available for government programs. There's nothing we can do about an aging population, but we can raise productivity. If we don't have productivity improvements, no amount of tinkering with the programs or the tax system will stop income declines.

First nations are the youngest population group in Canada. We're the fastest growing part of the labour force. The future of Canada's retired people is dependent on the productivity of first nations youth. However, if we don't participate in the economy, our youth will grow up without work experience. They will be disadvantaged for life. Canada will continue to spend hundreds of millions of dollars on our bureaucratic oversight and to spend billions on poverty-driven social programs for us. This is money that could be spent on education and infrastructure on our lands.

We can no longer afford to maintain a system that wastes money and our potential. The problem is that most people see us as a social problem when all governments are fiscally challenged. They see our problems as impossible to solve because it's hard to reach a consensus between first nations and governments. If we keep trying the same failed approaches, it will be like trying to fix a flat tire by yelling at it, as my father would say.

It doesn't have to be that way. We need to implement first nations-led solutions that are optional and that allow us to participate in the economy and raise our productivity. Here are four ideas.

First, Canada should develop and pass the first nations property ownership act. This will allow us to opt out of the Indian Act, which makes us a ward of the state. It will provide us with the same property rights as other Canadians. It will allow us to move at the speed of business and give us access to capital to start businesses. This is hardly radical; even Cuba knows that private property builds economies.

Second, we need to relearn what we were before we became wards of the state. We've spent generations teaching people about bureaucracies, playing the role of victim, and filling out grant applications and meeting reporting requirements. We need to relearn how to build and run a tax system, build infrastructure, facilitate investment, and to be an entrepreneurial people. This is exactly what we are doing at the Tulo Centre of Indigenous Economics.

Third, we need new fiscal arrangements. Transfers to provinces are growing faster than transfers to first nations. The equalization system rewards provinces for having a large, poor first nations population. We need to raise our own money, so we need to be part of the Canadian fiscal family.

Finally, we need to be part of Canada's resource development boom. Resource projects create billions of new revenues for the federal and provincial governments, but not first nations. Canada and the provinces need to create a fiscal benefit sharing arrangement from resource development that includes us. These revenues should be earmarked to reduce our outstanding infrastructure and service deficit. The First Nations Tax Commission can help in this regard.

These ideas will reduce income disparities. First, they mean more first nations youth will grow up with successful employed role models. Second, they will raise productivity of our lands and improve our access to capital. Third, they will increase our support for resource projects. Lastly, we will become partners in the economy and Canada.

As my ancestors said a hundred years ago, we will help each other to be great and good.

● (0900)

The Chair: Thank you very much, Mr. Jules.

We'll now hear from Mr. Alexander, please.

Mr. Craig Alexander (Senior Vice-President and Chief Economist, TD Bank Financial Group): Thank you very much.

Thank you for the opportunity to speak to you today on this important issue.

I think one of the core issues is that across the entire industrialized countries, we've been seeing rising income inequality. This is a product of the capitalist economic system, which has been demonstrated to be the most efficient system for generating a rising standard of income. The challenge is that the economic model does not create equal opportunities for all. That's where there is a role for public policy to play. This is why we have a progressive tax system in Canada. This is why we have the social security system.

Now, in terms of economic literature, economics has traditionally focused on income inequality in terms of playing down its role as a problem. It tends to focus on it in terms of an incentive to work and invest, or the product of uncertainty around income and volatility of income. However, like most things in life, excess brings consequences and negative, very powerful forces. Moderate income inequality actually can be healthy. Excessive income inequality can actually create enormous social, health, and economic strains.

A growing body of economic literature emphasizes this. A number of books that have been written, including *The Spirit Level* and a variety of other works, emphasize the negative forces that are created by income inequality. One of the core challenges with a lot of these studies is that correlation isn't always causation. Nevertheless, even when you look at work done by the IMF, it does argue convincingly that elevated income inequality can be economically damaging.

In the wake of the financial crisis, it isn't surprising that we're seeing increased attention focused on this as a pressing issue. If you look at the unemployment rates in Europe, if you look at the poor labour market outcomes in the United States, you can understand why this is a growing and pressing issue.

In Canada the story about income inequality is one that's a little more nuanced than what we're seeing in some of the other nations. If we look at it in relative terms, income inequality in Canada is the second lowest in the G-7. Canada has relatively good social mobility. It's the highest in the G-7. But it is true that income inequality in Canada has in fact been rising.

When we look at the Gini coefficient, which is basically the best overall benchmark of what's happening to the economy as a whole, you can see that income inequality was rising in the seventies and eighties in a very gradual rising trend. Then we had a big jump in inequality in the mid-nineties, which seems to correlate with when governments were tackling their deficits. In the mid-nineties we saw a big cut in transfers to individuals, and that seems to have created a very sharp increase in income inequality.

After the nineties, we see that the Gini coefficient is broadly flat. It might have a slight upward slope, but it's extremely small. It's almost negligible. This is surprising, given the public attention on income inequality.

As Diana Carney emphasized, the Gini coefficient isn't very good at telling you what's happening at the tails of the distribution. There's no question that top income earners are receiving a greater share of income. The top 1% has gone from about 7% of national income in the eighties up to 11% of national income in 2010.

Work done by people like Michael Wolfson has emphasized that if you actually look at it, half of the increase in income at the high end of the income scale is actually not just the 1% or the 0.1%; it's actually the 0.01%. So what you're really talking about is a very small number of individuals getting a larger share of income.

There is also a broader structural story taking place, and that broader structural story is around the fact that the economy is shifting towards more high-skilled, higher-waged jobs. This is a healthy outcome for the Canadian economy, but it does mean that it can lead to higher income inequality.

I would stress that I think the focus really should be on removing barriers to opportunity for people at the low end of the income scale. If you look at the bottom 20% of income earners, they earned a market income of only \$3,100 in 2010. Our social security system and tax system, transfer system, will bring their income up to \$15,200, so it is working to try to reduce income inequality and provide support, but understand: try living on \$15,200.

What we have is a problem at the low end of the income scale that there are barriers to growth. We have 9% of Canadians living in poverty. That's three million Canadians. It is costing the economy a lot of money. In Ontario the estimate is that it takes \$32 billion to \$38 billion a year to basically combat poverty and forgone tax revenues.

● (0905)

The numbers of seniors and children in poverty has actually diminished because of actions taken by government, but at the same time the percentage of poor—they are classified as working poor because they have someone working in the household—is now 40%.

There are areas of weakness or vulnerable populations—aboriginals, recent immigrants, people with disabilities—but I would caution about looking just at silos. We have real, fundamental problems with high marginal tax rates on people coming off income support programs: an inability to accumulate assets; poor literacy skills and essential skills, which are the foundation for growth, and many workers lack the skills that businesses need.

I'll stop there because I've gone over my time. Thank you very much.

The Chair: Thank you very much, Mr. Alexander, for your presentation.

We'll begin members' questions with Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Mr. Chair.

Welcome, and good morning to all of the witnesses.

It's certainly a very important topic, one that has been signalled by many international organizations as the pressing issue of our time—the concern about growing inequality. I even had the opportunity recently to hear the outgoing CEO of TD Bank, Ed Clark, raise this issue of income inequality and express concern about growing income inequalities. It is an issue that has caught so many people's attention, and it was mentioned even during a period of economic growth during the 1990s. Sadly, we saw greater inequality in Canada, that we had fallen down the ranking of the OECD on our income inequality.

Let me ask the first question to you, Ms. Carney. It seems that the 1990s was a period of tremendous growth in our economy, and in many economies around the world, yet Canada did fall further behind, and is falling in the OECD ranking of income inequality. Can you comment on some of the factors that might be involved in that fall, even at a time when the economy was growing?

Ms. Diana Carney: I think Craig mentioned that the transfers were reduced at that time. It's interesting, if you look at the difference between the market income and the post-tax and transfer income that is offset in Canada relative to other countries—and the OECD is the oracle on this—we're actually quite close to the middle on that.

I think the issue is that income inequality everywhere has been rising. Canada has swept up at the top, but we have maintained a relatively steady place within the OECD. We're not an outlier in terms of leaping up the rankings. Everyone was dealing with these issues. I think the interesting point is that we haven't gone up in the last while, which is when it grabbed the public attention and the attention of politicians like yourselves. It's a conundrum to understand why this is the case. There are lots of reasons around economic insecurity and a general feeling of insecurity, as opposed to the numbers that back it up—the Gini coefficients changing and things like that.

● (0910)

Ms. Peggy Nash: Surely the loss of so many middle class jobs has been a huge factor in generating the insecurity for people here in Canada, and the insecurity of conditions in the remaining jobs for many people. Part of the concern that has given rise to the issue of inequality and related instability, both economic and social, has been the creation of intergenerational inequality. This is something certainly that Nobel laureate Joseph Stiglitz and many others have spoken about.

Would any of you like to comment on the rise of intergenerational inequality and the challenge that the loss of middle class jobs in Canada presents for the future?

The Chair: There's a little over a minute, so perhaps one of the panellists could respond.

Ms. Peggy Nash: Mr. Alexander, perhaps you'd like to start.

Mr. Craig Alexander: In the United States there really has been a very deep hollowing out of the middle class. In Canada we also see signs that there has been weaker growth in employment for middle-skill, middle-income jobs. It's less pronounced than the United States. I think part of that is a function of the strength in the resource sector. I think part of it is a function of the middle-skilled jobs that are attached to the resource sector in the 30-year unemployment rate that we got to before the recession.

Ms. Peggy Nash: Nobody does income inequality in developed countries like the U.S. does, so....

Mr. Craig Alexander: But what you can see is that we have had a shift in employment. There's been a drop in lower-skill and middle-skill jobs and an increase in high-skill jobs. This has also been reflected in wages. It's contributing to some of the income inequality that we're seeing. As more people are graduating with university degrees, as they go into higher-skilled positions, this is actually putting upward pressure on income inequality in our system.

There are challenges to middle-skill jobs. It was a manufacturing recession. While we've created a lot of jobs during the economic recovery, they haven't been created in the industries that lost them. Manufacturing employment is very weak and it reflects some of the legacy of those structural changes in the economy and the impact of the recession.

The Chair: Thank you.

Thank you, Ms. Nash.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I also would like to thank the witnesses. It's been a great start in terms of our important study on income inequality.

I have to start by directing many of my questions to Mr. Jules. Mr. Jules is from Kamloops. I think since 2008 I have been having conversations with him, but also with many of the chiefs who are in our communities, certainly in British Columbia, and of course a few across the country.

I want you, perhaps for the people here, to talk a little more about the first nations property tax act, and how you see that being very important in terms of this issue of income inequality.

Mr. Manny Jules: Ms. Nash was talking about generational poverty. First nations have had it ever since the introduction of the Indian Act. The federal government owns all Indian reserves, so we don't have the same rights as anyone else in the country. It's only mentally handicapped individuals, minor children, and first nations living on a reserve who can't own property.

What we're proposing with a number of proponents is that the federal government transfer its ownership of reserve lands to first nations in perpetuity, so that individuals can have indivisible title and begin to build their own homes, build up equity, start businesses, and have the same kind of footing as other individuals here in this country enjoy. That means the creation of first nations institutions, whether they be for land title registries or other institutions to facilitate tax jurisdiction and new fiscal arrangements with Canada, including the provinces.

That is one of the areas that the federal government has to look at to empower individuals and first nations governments, because without the creation of that institution we will see many other generations into the future being dependent on the federal government. As an example, with housing, the Assembly of First Nations says we need 80,000 homes to be built right now. The federal government says about 30,000 homes. So under the current system it's going to take either 250 years or 800 years to catch up to the existing backlog. Without the creation of individual property rights, that will never happen.

Also, as I mentioned in my brief, when you see resource extraction happening within our traditional territories, many first nations individuals can't access the benefits of those developments because we have no access to capital. We have no method to be bonded, no means to start our own businesses.

● (0915)

Mrs. Cathy McLeod: What do you say to some of the first nations communities that are concerned about your proposal? You certainly hear people who have expressed concern. I know that the chiefs who have come to me on a pretty regular basis over the last few years have said it is voluntary; it is a decision of the band.

Could you talk a little bit more about that piece? I know there is certainly some expressed concern in the aboriginal community in terms of the proposal.

Mr. Manny Jules: It's true with any change. There were concerns in the 1950s that we would become citizens of Canada. There were concerns in the 1980s that we shouldn't be part of the constitutional process. We saw it recently with the Idle No More movement, that there shouldn't be any changes or tinkering with the Indian Act.

You have a philosophical divide in the country that leads to a situation where there cannot be a complete overhaul of the Indian Act. Because there's no consensus to get rid of the Indian Act, as the Prime Minister said a couple of years ago, you can't get rid of the tree; its roots are too deep.

That leaves Canada with a dilemma about how to deal with a complete lack of modern institutions for first nations. The only way around that, in my view, is to create optional pieces of legislation so that first nations can make choices on their own and not be forced to do that. Indeed, what we're proposing is just that. It has to be optional legislation. There has to be free and informed consent by the membership of the community, meaning there has to be a vote in order to do it.

Also, one of the concerns first nations have expressed is that we're repeating what happened in the United States through the Dawes Act. This is completely separate. We're not part of the United States, for one, and this is legislation that's being led by first nations.

The Chair: Thank you very much. Thank you, Ms. McLeod.

We'll go to Mr. Brison now, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you to each of you for appearing before us today.

Recently, Ms. Carney, I attended a Canada 2020 event with Zanny Minton Beddoes on this issue of income inequality. She said we ought to focus particularly on public policy around young people, and in fact the younger the better in terms of education and early learning.

Which countries are doing the best job on that? She had referenced some Nordic countries, as an example. In your view, what can we learn from those countries in Canada, and how should we be working with the provinces to advance early learning in Canada?

Ms. Diana Carney: You mentioned it. We always hold the Nordic countries up as the model of this, particularly in the early childhood area or in the facilities for child care.

I think there are two issues. One is giving the kids a good start in life and the other is giving the parents, particularly mothers, an opportunity to work. So investing at that level serves a dual purpose.

The interesting thing about Canada is that we score quite highly, as you know, in OECD rankings on our education systems. There is some variation across the provinces, but we do quite well.

I think the concern for us is maintaining that edge and making sure we do not let our institutions atrophy while this is happening. One of the things we need to do, I would argue, is make sure the whole population keeps engaged with those institutions.

I think one of the key differences between us and the U.S. is the rich, the plutocrats that Chrystia Freeland talks about, have disengaged. There isn't a public health system, but they have also disengaged from public education, so they are not invested in those things.

• (0920)

Hon. Scott Brison: I think probably one of the areas where there's the greatest gap between provinces is in the area of early childhood education, where some provinces have very robust systems and other provinces have virtually no systems around that. This may be an area for federal leadership.

Ms. Diana Carney: We would argue there's always room for federal leadership on these issues.

I agree with you, and I agree with Zanny that we can do more. We have to learn. The problem is there's inherently a lag.

Hon. Scott Brison: Mr. Alexander, can you give us some examples of programs with high clawback rates or low limits on asset accumulation? As an example, what are some of the social and transferring tax policy changes you would make to help low-income Canadians deal with this issue of a welfare wall?

Mr. Craig Alexander: I'm not a tax expert, but I can tell you that one of the barriers to getting out of poverty is the enormously high marginal effective tax rate on income when you start to lose your government support programs.

In many provinces, for every dollar of additional income you generate, you might lose 50¢ on the dollar of government income support. The transition is so steep that it actually works as a disincentive and a barrier for people getting out of poverty.

I also think limits on the assets of people receiving government support are set too low. Ultimately, I think if you give people a bit more of an opportunity to build assets, it actually will be self-reinforcing.

If I could, I would like to comment on early childhood education.

Hon. Scott Brison: You did a report on this.

Mr. Craig Alexander: The rate of return on the investment in early childhood education is enormously high. In terms of the rate of return, for every dollar you invest, most academic studies show anything from \$1.50 to \$2.50 of economic and social return, and if you focus on people from disadvantaged backgrounds, it's quite possible to have a double-digit return. Within the OECD, Canada ranks dead last in terms of investment in this area at a mere quarter point of GDP.

Hon. Scott Brison: Mr. Alexander, your recent report on early childhood education is important in this area. It contains a lot of good data to back this up.

Is there a risk in Canada, with the fiscal gap between provinces—some provinces being in very strong fiscal situations and others falling behind—

The Chair: Okay, question.

Hon. Scott Brison: Is there a risk of a balkanization of equality of opportunity in Canada based on some provinces' capacity to invest in this area and some with a lack of capacity?

The Chair: A brief response, please.

Mr. Craig Alexander: Investment in Canada is very uneven across the provinces. It does lead to inequitable access to early childhood education.

The Chair: Thank you.

Thank you, Mr. Brison.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you, witnesses, for being here today. It's great to see you here this morning. It is an interesting topic, and it just makes you think about some of the other perspectives. You can go into many areas on this.

One area that I'd like to talk about is the equality of opportunity. Ms. Carney, you talked about that, and that is one thing I often look at. When you look at income inequality, you will always have that because of opportunity. Some people take opportunities that pay a lot more income than other people's choices.

In Canada, do you feel we have equality of opportunity coming forward? As your young child is coming through the high school system and graduating from grade 12, let's say, at that point do you think there is equality of opportunity moving forward?

Ms. Diana Carney: I think Canada does well on that at present. What I'm concerned about is maintaining that, but yes, certainly relative to other countries, statistically we do well on it. But I think there is also a sense that the country is built on that fact, so we need to maintain it.

• (0925)

Mr. Randy Hoback: You also talked about a generational cycle, where low income seems to be generational, from one generation to the next. Have you any recommendations on how to break that generational cycle? Mr. Jules would probably agree with that comment. There are some generational cycles that need to be broken.

What are the best practices to break that cycle?

Ms. Diana Carney: We have good examples of best practices in this country. You may be familiar with the Pathways to Education program that started in Toronto. It requires a wide range of supports. It is society, in a way, stepping in for the things that parents maybe can't provide in the poorer group. And it's not just one person or one thing. That program has been excellent in stepping up, and it has had some incredible outcomes with education, in getting people into upper secondary education, with peer support and incentives to stay in education.

Mr. Randy Hoback: We had a program in Prince Albert, which unfortunately is no longer in the works. It was done by the fire department. They were working with high-risk individuals, with poverty-stricken people, and really encouraging these kids to become firemen or just building them up, giving them that role model to say that they could break the cycle and they could be firemen or policemen—basically building a dream, giving them the motivation for a dream. It is unfortunate that that program doesn't go on, but it was fabulous, because we did have an impact, there is no question about that. I have talked to kids who have gone through those types of programs and it has changed their lives.

I agree with you. There are some things we can do, not only in the private sector but in the public sector also. That's good.

Mr. Alexander, you touched a little on this income inequality formula they use. In my riding, if you look at the trades, for example, trades are probably historically in the area of \$80,000 or \$90,000. A tradesman might make \$60,000 or \$70,000 a year, but now we're seeing kids come out of high school, because of the activity in the mining sector and the resource sector, making \$80,000, \$90,000, \$100,000, \$110,000, or \$120,000 a year. They wouldn't be classified as middle-income families in that situation, would they?

Mr. Craig Alexander: No. What we have seen, for example, and this is something that has been recognized for some time, is that we do have labour shortages in areas like trades, and the laws of economics work so that if you have a scarcity of people with a set of skills, those individuals are going to be able to garner higher compensation.

This is one of the reasons, as I alluded to earlier, we haven't seen the same degree of the sort of hollowing out of the middle-income, middle-skilled jobs as in the United States, because we have had a robust resource sector. We've also had a very robust construction sector during this period of strength in the housing market, so it has helped to support incomes in that area, such as trades, and it has also pushed up compensation for those trades.

Mr. Randy Hoback: Exactly, so wouldn't that distort the formula when you start comparing low income versus high income? The fact is, we just have more people making more money. Should we discourage that?

Mr. Craig Alexander: As I said in some of the earlier remarks, one of the things we have seen is a shift toward higher skills and higher value-added jobs. We've also seen.... We did have a 30-year unemployment rate before the recession that was actually putting upward pressure on compensation for trades, as you mentioned. That's why my focus is really not about income inequality per se but rather about helping people at the low end of the income scale and reducing those barriers.

To go to your point, and picking up on the intergenerational side of things, I view education in essential skills as the great enabler. Give people equal opportunity and develop their skills. What you'll find is that, generally speaking, people at the low end of the income scale underestimate the value of education. They overestimate the cost of post-secondary education. They are not fully aware of all the potential supports that are there for them, for their children to go on to post-secondary education.

It leads to under-investment of education for people to come out of low-income households. Then there are some inherent barriers for getting out of low income. At the end of the day, I think that's where you put your focus.

The Chair: Thank you, Mr. Hoback.

[Translation]

Mr. Caron, you have the floor for five minutes.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you, Mr. Chair.

I will ask my questions in French.

From what most of you are saying, it would seem that income inequality is an important issue but that it could be resolved by making a few adjustments, through some fine tuning.

I would like to focus my questions on the way in which these incomes are divided up. There's a lot of talk about market income, but that is made up of many things. For example, it could be divided into two major categories: wages and capital income.

I think you would agree that over the last 20 or 30 years in Canada, there has been substantial growth in terms of GDP. However, the indicators such as real incomes, whether they be hourly, weekly or annual, have remained relatively stagnant.

If we talk about capital gains, whether they be dividends or other capital income, you would also agree that, in general, those who are among the 40% with the lowest incomes do not really have access to these incomes. They rely more on government transfers, or wages.

Do you not think that the relative stagnation of wage incomes compared to capital incomes is a significant factor in growing inequality?

My question is for Mr. Poschmann first, followed by Mr. Alexander.

● (0930)

Mr. Finn Poschmann: Thank you for your question.

[English]

Very interesting. Yes, I have a very different perspective on the experience in the 1990s and its contribution to income inequality. At the onset of the 1990s, we were recovering from a recession. We had very high interest rates as we wrung inflation out of the economy. That had good outcomes and bad. Globally, however...in other countries, as well as in Canada, the 1990s were, in the early part, a very slow growth period. It picked up after, and there were shifts in the composition of the population and wages of the sort that Craig described. These processes are likely to increase inequality. So there

were a lot of different factors contributing to that shift in inequality at that time.

Whether it's persistent, though, remains to be seen. If you look at Canada's history of income equality or asset equality since World War II, it has been very flat, very steady. Inequality rose somewhat in the 1990s, and in recent years it has started to drop off in relative terms. There are many ways to look at this.

Globally, if we compare across countries or look at OECD countries, we see that income inequality has gone up a little, but it makes more sense to me not to compare countries but to compare people who live in those countries. When you compare individuals across countries, you'll find that the globalization processes we've talked about have raised incomes for many. In fact, in the developed world it has lifted billions out of low income, and that matters too.

Mr. Craig Alexander: If we think about wage growth from 1999 to today, I would argue that wage growth has actually been very subdued. In fact, it's been relatively subdued for most workers. If we think about it in terms of high-skilled occupations, wage growth between 1999 and 2010 averaged a gain of 3.2%. Now remember, inflation was basically around 2%, so you're only talking about a 1% wage growth.

Middle-skilled jobs over that same timeframe increased only 2.6%. So strip off inflation and you're talking about something very close to zero. Then for low-skilled jobs we've had a 3.4% increase. Actually, low-skilled jobs had the highest percentage increase, but I'd argue that the issue is the level of income—3.4% only takes you up to \$15,200. It's not an issue about wage growth. A lot of that growth came from increases in minimum wages in various provinces. The bottom line here is that wage growth actually has been very subdued.

[Translation]

Mr. Guy Caron: I would like to confirm something in regard to the growth in GDP that we have experienced. It was a real source of wealth for the country. However, those workers or people whose primary income source is their wages did not manage to benefit from a significant portion of that new wealth that was created over the last 20 or 30 years in the country. Would that be fair to say?

[English]

Mr. Craig Alexander: Wage growth has been weak. Investment returns, though, have not been strong over a 10-year period because of the very deep financial crisis we had. But your point is well taken.

One of the things we've been talking about here is income inequality, but if you look at asset inequality, that's where you see much starker differences, where 20% of Canadians have 70% of assets. I would stress that it's the outcome of long-term differences in income growth and the ability to save.

[Translation]

The Chair: Thank you, Mr. Caron.

[English]

Mr. Adler, please, it's your round.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Good morning, everybody. I'm so glad you're here.

I just want to begin with a comment.

This discussion kind of takes me back to Sociology 101 at U of T, when we were discussing John Porter's *Vertical Mosaic*. So this is really not something new we're discussing here.

But let me just try to get to the end game here. Mr. Poschmann, I'll begin with you first.

The opposite of income inequality is income equality. Is that what we should be striving to achieve? If income inequality is bad, is income equality good?

• (0935)

Mr. Finn Poschmann: Mr. Chairman, that's a tough question.

There aren't any hard and fast rules here. There aren't any numbers. Excessive inequality is socially corrosive. It makes us unhappy, it undermines institutions, it makes it difficult to govern, and it morally offends us because it has a sense of unfairness. Does that make complete equality a good thing? No, by definition not, because it would deny the opportunity that we all seek and want for others around us. There are plenty of levers available to federal and provincial governments that want to improve the opportunities.

Mr. Mark Adler: Okay, thank you.

We were hearing about the nineties and how there was an increase in income inequality during that decade. Has the just society experiment of the 1970s been a dismal failure? Did the nineties governing party break the back of the just society?

Mr. Finn Poschmann: Mr. Chairman, some witnesses know a loaded question when they hear one.

Voices: Oh, oh!

Mr. Finn Poschmann: It would be difficult to point to income distributions in Canada and say that—to use the code word—the just society was a huge success. However, Canada, since the 1970s, has eliminated poverty; extreme low-income among seniors has significantly improved; opportunities for youth are more or less across the board, with howling exceptions.

The biggest exceptions to the just society are the ones Mr. Jules has talked about, particularly opportunities for on-reserve youth. This is an area where we have a huge percentage of kids who do not graduate high school or do not have a high school certificate or anything close to it. Their test performance is absolutely appalling. This is a failure of the educational systems on reserve, and therefore their governance. This is something that early childhood education can't get at. It's governance and institutions that can get at improving it, and that's where one would have a lot of oomph in results.

Mr. Mark Adler: Okay.

Now, I think we can all agree that the amount of talent is evenly distributed throughout the world, and maybe I'll go to Mr. Alexander on this. The amount of opportunity, however, is not. That's reserved for a number of perhaps western-style democracies: Canada, the U.S., Britain, and Israel. I go to a lot of citizenship swearing-in ceremonies. I'm sure a lot of my colleagues do the same. People are coming to Canada in record numbers because they are seeking hope and opportunity. If we are diminishing an opportunity, why do so many people want to come to Canada to seek hope and opportunity?

The Chair: One minute.

Mr. Craig Alexander: If we look at Canada's success rate in integrating newcomers into the economy, I would say we are facing a pressing challenge. That's one of the reasons I've been encouraged by the immigration reforms the government has been doing. If we look at income level, the difference in income for newcomers relative to Canadian-born citizens is that in the early eighties a newcomer would earn about 82¢ on the dollar and over a couple of decades they could close the gap with Canadian-born individuals. Today that is about 62¢ on the dollar, and newcomers will never close that gap over their lifetimes.

What's amazing is that even given that outcome, StatsCan surveys show that more than 90% of newcomers say yes when asked if they would do it again; if they could do it again, they would come to Canada.

I've done a lot of work on immigration issues, and I've found that newcomers come because they believe there will be a better outcome for their children.

Mr. Mark Adler: Thank you.

Ten seconds?

• (0940)

The Chair: Ten seconds max.

Mr. Mark Adler: Ms. Nash quoted Joe Stiglitz, and I know he was a speaker at the NDP convention this past weekend.

To set the record straight, Mr. Stiglitz said, in 2010, when he was advisor to the Greek government, that Greece was having a short-term liquidity issue.

The Chair: Thank you very much for that clarification.

[Translation]

Mr. Côté, you have five minutes.

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you very much, Mr. Chair.

Mr. Alexander, let's talk about household debt, because I found what you wrote on the website www.consensuseconomics.com to be very insightful.

Allow me to provide you with some context. I am currently reading the French translation of a book by Esther Duflo called *Poor Economics: A radical rethinking of the way to fight global poverty*. Ms. Duflo is a Franco-American economist who advises President Obama from within the President's Global Development Council. The American magazine *Foreign Policy* named her one of the Top 100 Global Thinkers.

You wrote the following: With a relatively muted pace of income growth for middle-income Canadians over the last decade, combined with a falling interest rate environment, it is perhaps unsurprising that many middle-income families may have turned to debt financing in order to bridge the gap between themselves and wealthier Canadians.

Moreover, in her book, Ms. Duflo puts a lot of emphasis on people's behaviour rather than proposing models for people to adhere to.

Could you shed some light on this need to understand what motivates people to act the way they do, for example in the case of taking on debt?

[English]

Mr. Craig Alexander: I'm not familiar with the book, so I can't comment directly on it. But in terms of household debt, we've seen a very significant increase in the amount of leverage amongst Canadian households. Part of the explanation for that is that interest rates have come down to remarkably low levels, and that has provided a very significant incentive to borrow.

I have been very concerned about the degree of leverage on household balance sheets. My primary concern is what will actually happen to household finances when we get a normalization of interest rates. I think the degree of leverage is concerning.

One question that you can ask, though, is to what extent the rise in household debt is related to the very weak wage growth we've had. Is it the case that some Canadians, in an effort to have a rising standard of living, have actually had to debt finance that increase in standard of living? If wages can't provide for it, perhaps that has been an incentive to borrow.

I think there's more than one factor driving the debt cycle in Canada. Part of it is the low interest rates that are encouraging borrowing, and part of it could actually be related to the very weak wage growth. I think maybe that gets to your question.

[Translation]

Mr. Raymond Côté: Thank you very much.

I would like to share my time with Mr. Rankin.

The Chair: You have two minutes left.

[English]

Mr. Murray Rankin (Victoria, NDP): Thank you.

Thank you all for attending this morning.

I'd like to pose my question to Manny Jules, if I could.

Sir, you are chief executive officer of the First Nations Tax Commission and therefore have a pretty sophisticated understanding of tax regimes amongst first nations communities and across Canada.

How do you see the work of the First Nations Tax Commission fitting in to the broader goal of reducing inequality, and what role specifically do property tax regimes have in reducing inequality between first nations communities and the rest of Canada?

Mr. Manny Jules: It's one of the two fundamental pillars of a sound economy. If you don't have a real property tax system, which is really by most standards the most accountable form of taxation, and a property regime—those are the two pillars—you can't provide infrastructure as a government; you're not going to have businesses, schools, proper roads, etc.

What I've seen in first nations communities over the last 25 years or so is a change in attitude toward taxation. Initially, it was met with a lot of fear. When I first worked on legislative reform related to real property tax, we anticipated that maybe a dozen communities would get involved. Now there are just about 170 communities, and it's generated about a billion dollars, with an additional billion and a half dollars in funds that were made available as a direct result of the tax.

In my view, it's not only real property tax, but when you look at the goods and services sales tax...first nations should be able to participate in the tax structure of the country and therefore be a part of the fiscal makeup of the country. That also has to include the federal government, as well as the provincial governments.

• (0945)

The Chair: Thank you very much, Mr. Rankin.

Colleagues, I have four more MPs on the list, but we're going to have to do those in the second panel. I apologize to those members for that.

I want to thank our witnesses for being here with us this morning, for your presentations, and for responding to our questions. If you have anything further for the committee to consider on this study, please submit it to me or the clerk and we will make sure all the members get it.

We will suspend, colleagues, for a couple of minutes and bring forward the next panel.

Thank you.

• (0945)

_____ (Pause) _____

• (0950)

The Chair: I'll ask my colleagues to take their seats, please. We're on a very tight timeline today.

I call this meeting back to order, pursuant to the order of reference of Wednesday, June 13, 2012, for a study of income inequality in Canada.

We want to welcome an additional four witnesses to this session. We have, first of all, from the Canadian Taxpayers Federation, Mr. Gregory Thomas, federal director.

[Translation]

We welcome Yanick Labrie, economist from the Montreal Economic Institute. Welcome to the committee.

[English]

We have two gentlemen from Vancouver via video conference. Presenting as an individual today, we have Mr. Jason Clemens. From the Fraser Institute, we have Mr. Charles Lammam, associate director, Centre for Tax and Budget Policy and Centre for Studies in Economic Prosperity.

Welcome to all of you.

We have just under an hour here for this panel, so we're going to ask you to keep your presentations to a maximum of five minutes.

We will begin with Mr. Thomas, please.

Mr. Gregory Thomas (Federal Director, Canadian Taxpayers Federation): Thank you, Mr. Chairman.

We appreciate the opportunity to present to the committee on this important issue. We've got five minutes.

I'll start by referring to the recent report from Statistics Canada that analyzed income inequality, highlighting the status of the 1%. I'll quote directly from the StatsCan report, which wasn't all that sympathetic to the 1%. It said:

In 1982, the richest 1% of [tax] filers paid 13.4% of federal and provincial or territorial income taxes. This proportion rose steadily to a peak of 23.3% in 2007, then slipped to 21.2% in 2010. The share of income taxes paid by the rest of all tax filers fell from 86.6% in 1982 to 78.8% in 2010.

We get contaminated by media coverage of the U.S. tax system. The straight facts are that the top 1% have been paying an increasing proportion of the federal and provincial income taxes in the country. It's come off a couple of per cent since the financial meltdown. That's a trend no one is talking about.

We also look at overall taxes paid. About 25 million Canadians file tax returns. The top 1% amount to 254,000 people. We're talking about Saskatoon here in a nation of 35 million people. In 2010 those 254,000 tax filers paid \$36 billion in federal and provincial income tax. That's nearly six times the amount of tax paid by the bottom 12.7 million Canadian tax filers.

In fact, over 8 million Canadians who filed a tax return paid no tax at all. You have 254,000 people shelling out approximately one-third of their incomes and they're paying nearly six times as much as 12.7 million Canadians who all filed tax returns.

Just for the sake of putting this in a very clear perspective, there are 2,550 in the top one one-hundredth of 1%. We're not talking about 1 in 100 but 1 in 10,000 taxpayers. There are 2,550 of these people in the country. Their average income was over \$5.1 million in 2010. They paid almost \$1.8 million on average in federal and provincial income tax. That tallied up to \$4.5 billion. You have 2,550 people paying \$4.5 billion in income tax. You have 12.7 million Canadians paying \$6.9 billion in income tax. These are the straight facts, and it's something that parliamentarians need to be aware of.

We'd also like to touch today on the EI system. It's a \$25 billion program. It is our best hope for addressing income inequality. It's

egregiously unfair to residents of urban areas in the cities of Toronto and Montreal, or any of Canada's major cities. It's not solving the problem of income inequality, it's not giving people a hand-up, and it's probably Canada's biggest economic problem. We'd like to touch on that in the question period.

Thank you.

● (0955)

The Chair: Thank you, Mr. Thomas.

[Translation]

Mr. Labrie, you now have the floor.

[English]

Mr. Yanick Labrie (Economist, Montreal Economic Institute): Thank you.

I'll do my presentation in French, if I may.

[Translation]

First, I would like to thank the Standing Committee on Finance for giving me an opportunity to testify before you on behalf of the Montreal Economic Institute about inequality, a very important area.

Last year I wrote a research paper for the Montreal Economic Institute in which I explained why the income inequality phenomenon is probably less of a concern than many groups frequently imply.

My remarks today are mainly based on that research which I published in May of 2012.

At the time, I reported on five factors that put inequality in perspective. Today I will focus on three of those factors.

First, an increase in inequality can quite often happen at the same time as a decrease in poverty rates.

This is exactly what occurred in Canada over the past few decades. In fact, from 1976 to 1995, a period during which income inequality remained rather stable, the average Canadian household income after tax amongst the poorest 20%, in other words the poorest fifth of the population, barely increased by 4%, taking into account inflation.

Conversely, from 1995 to 2010, a period, according to many, marked by an increase in income inequality and a decrease in government redistribution measures, average income after tax for the poorest Canadian households increased by 25%. That is not insignificant. Remarkably, the number of individuals falling below the poverty line, as measured by Statistics Canada, decreased by more than 60% over the course of that period.

Second, economic mobility is very pronounced in Canada, and even more so for low-income individuals.

Statistics Canada often publishes studies on this issue. One of their last studies was about how incomes for the same households evolved over a period of five years. The analysis of this data shows that the greatest upward economic mobility occurred amongst the poorest 20%. In fact, 43% of those individuals who were in the lowest income quintile in 2005 were in a higher income quintile before the end of that five-year period.

The situation is also very encouraging for economic mobility between generations. In fact, a recent study showed that less than 16% of sons whose father was amongst the poorest 10% remained in that category once they reached adulthood.

Third, disparities in living standards are much lower than the data on income gaps would suggest.

Several economists have in fact shown and underscored the fact that income is not necessarily the best indicator for comparing living standards between different population groups. To the extent that the main concern of people is to be able to obtain goods and services that allow them to maintain an adequate living standard, using consumption measures is more accurate than income measures.

For example, people who are retired have perhaps lower incomes but they also have assets and little debt. They have acquired assets that allow them to maintain a significant standard of living. In that example, their living standards are much better than income data would suggest.

According to Statistics Canada figures, not only has consumption inequality over the past 30 years been less than income inequality, but furthermore it has changed very little over that period.

In conclusion, I would like to recall to the committee that in a survey of the Canadian population in 2009, more than two-thirds stated that they felt it was more important to have a fair opportunity to improve one's economic condition rather than to reduce inequalities.

Inequality can be a concern when a large number of citizens feel that society is unfair and that social mobility is so weak that there is no point in trying to improve one's lot. However that is not the case in Canada. My analysis shows that on the contrary the phenomenon of inequality is a much lesser concern, and economic and social mobility is much greater than several groups are suggesting.

• (1000)

Thank you for your attention.

The Chair: Thank you.

[English]

We will now go to Mr. Clemens, please, for your presentation.

Mr. Jason Clemens (Executive Vice-President, Fraser Institute, As an Individual): Thank you, Mr. Chairman. And thank you for the invitation to present before the committee today on an important issue.

I just want to touch on four aspects of the paper for which I was called before the committee. My paper dealt with nine issues, but due to the time limitations I'll deal with those four.

The first is that income inequality is indeed an important issue that we should be concerned with. Unfortunately, more often than not, I believe, it's grossly oversimplified, and by grossly oversimplifying it we risk solutions that are detached in varying degrees from the real underlying problems.

Secondly, we really need to understand some of the measurement problems and challenges we have with respect to measuring income over time. Related to that is an issue that's overlooked all too often, which is a definitional issue. Depending on how we define the income we want to measure—if it's pre-tax or post-tax, whether we adjust for household size over time, or, as my colleague from MEI has mentioned, whether we look at consumption versus income—we can get very different results with respect to measuring inequality. They're all correct, and this is the important point: all of those measures are correct, but they define "income" or "inequality" quite differently. So we have to understand the role of those differences.

I would certainly point the committee to an important paper by Burkhauser, in the United States, on this very issue. In Canada, for example, depending on how you measure, you can go from a decile measure of inequality from 6.5 all the way up to almost 14, which is a range of more than 100% in the difference between decile inequality. So as I say, I think we have to be aware of these definitional roles when we talk about inequality.

Thirdly, there's mobility. I fundamentally don't believe we can talk about or understand inequality without talking about mobility. Again, my colleague from MEI and my colleague from Fraser will speak about this.

Then finally, Mr. Chairman and members of the committee, I think unfortunately too often we conflate the discussion of low income with inequality. I think some of the solutions raised with respect to inequality fundamentally miss the issues with respect to low income, and more particularly those Canadians who get stuck in low income. From a series of Statistics Canada reports we know that there are essentially three groups that look like they get stuck in low income over time. Those are single parents, individuals who fail to complete high school, and Canadians who, unfortunately, have drug and alcohol abuse problems. It strikes me that some of the solutions we talk about in a very narrow sense when we think about inequality really miss the nuances of these three groups and how we could, from a social policy perspective and an economic perspective, more directly deal with the underlying problems of these three groups that get stuck in low income, which to me is a much more important issue than the general issue of income inequality.

With that, Mr. Chairman, I'll cede the chair, so to speak, but those are the four issues I wanted to deal with in terms of my study.

Thank you.

• (1005)

The Chair: Thank you, Mr. Clemens.

We'll hear from Mr. Lammam, please.

Mr. Charles Lammam (Associate Director, Centres for Tax and Budget Policy and Studies in Economic Prosperity, Fraser Institute): Thank you, Mr. Chairman, and my thanks to the committee for the invitation to appear today and speak on this issue.

I want to focus my remarks on a recent study that I co-authored, published by the Fraser Institute last year. It's called "Measuring Income Mobility in Canada". To sum up my perspective, we can't have a meaningful discussion about income inequality if we don't understand the extent of income mobility in Canada.

One of the critical underlying assumptions in the inequality debate has been, and continues to be, that Canadians are stuck in the same income group year after year. If we pause and think about that for a second, it means that for the most part Canadians are born into a certain income group, where they live and die. Now that to me doesn't match up with common sense, nor does it match up with evidence. What we do in our report is we look at the evidence. What we generally find, when we think back to our own experiences, is that most of us follow an income trajectory such that we start off with a low income, mainly because we're young and we don't have education, skills, or work experience. Gradually, over time, as we gain these attributes, incomes increase. Incomes peak around middle age, around 55; as they approach the age of retirement, incomes start to fall. Of course, a lot of stuff happens in between. Some people may transition between jobs, they may lose jobs, or they may exit the labour force. But generally there's an upward transition in income until you're about in middle age, after which it begins to fall.

In our study, we looked at income mobility using historical data from Statistics Canada. We used both survey data and tax filing data. We looked at income mobility over various time periods—two five-year periods, a 10-year period, and a 19-year period. In the short term, over the two 5-year periods, we found that 50% of Canadians who were initially in the lowest 20% of income earners had transitioned outward from those groups. Sorry, I should state that in our study we broke up income earners into five groups of 20% income earners in each. Over the longer term, from 1990 to 2000, what we found was quite remarkable: 83% of Canadians who were initially in the lowest income group had transitioned to a higher income group. We found that 19 years later those same people, almost 9 in 10 of those in the lowest income group, had moved to a higher income group. It's not that they were just moving out of the lowest income group into the second or third quintile. We found that one in five who were initially in the bottom had actually made it up to the top 20% of earners; over two in every five had made it up into the top 40% of earners.

So our study reaffirms what we know from our own experiences. Where we were 5, 10, 20 years ago in income is not necessarily where we're going to be today or in the future. If we don't understand that people's incomes are changing over time, I think we can get misled by looking at snapshots of the income distribution, which is what most people do when they examine income inequality.

Those are my remarks. Thank you.

•(1010)

The Chair: Thank you very much for your remarks.

We will begin members' questions.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, and my thanks to you all for coming.

This is a fascinating study, and I'm intrigued, Mr. Clemens, by your remarks. You don't hear that a lot today. Am I right to assume that the best advice we can give to society is to get married and stay married; to stay in school, at least get a grade 12 education; and to abstain from drugs? I guess we could expand that and say that we should just make good moral choices. Am I right? Is that what you told us?

Mr. Jason Clemens: If we look at the data for Canadians who seem to get stuck in low income, it really is the three groups that you've alluded to. Certainly, one is single parents—that's one of the groups that gets stuck to the greatest degree. The data tell us that if you're going to have children, you need to do it in a family unit. Second is completing high school. The data are clear on that: you have to complete high school. Critically what we're starting to see, particularly over the last decade, is assistance in transitioning from completing high school to training after high school, whether that's college, university, apprenticeship, etc. Then finally there is the unfortunate situation of Canadians who have addiction problems. So, absolutely, those are the three groups that seem to get stuck in low income.

Mr. Dave Van Kesteren: It's really not rocket science.

We love to quote Adam Smith here. If you Google Adam Smith, you'll notice that he was a moral philosopher as well as an economist. There's an intertwining there.

I want to ask you something else, and Mr. Lammam, you alluded to this. Is it correct to say that poverty isn't or shouldn't be a flat line? We're either moving in or we're moving out. Is that a correct assertion?

Mr. Charles Lammam: First I want to expand on what my colleague Jason Clemens said. Just to put in perspective the percentage of people who fall into those groups and who are there persistently in poverty or low income, StatsCan research suggests that it's anywhere between 1.5% to 3% of the population. There's a very small subset of the Canadian population in low income for a long period of time.

When we're discussing these issues of income inequality, my concern is that we're devising policies for everybody, or a broad part of the population, people who may be temporarily there in low income, like university students, but the people who really need the help are those who are there for a longer period of time.

Mr. Dave Van Kesteren: I think I heard you talk about opportunity for incentive. If we have a society that's...opportunity is what we really need. There are two factors. There's incentive. Can we take the incentive away from people when we possibly allow them to become institutionally poor?

Mr. Charles Lammam: Incentives are absolutely critical for young Canadians. They need to know that if they're going to work hard and be diligent, they're going to be rewarded with success and not be penalized. A lot of what we hear in terms of policies that flow from the income inequality discussion is that we're going to tax those who earn more on their income, but what we're doing is we're sending a very negative signal for younger Canadians, because we know from the research we've done that those people will be in the top in due time. We don't want to reduce their incentive to get there.

Mr. Dave Van Kesteren: Mr. Thomas, it's interesting listening to your statistics. It's not a bad thing if we have rich people. Rich people pay an awful lot of taxes. The idea, of course, is to increase wealth in a society. If we move that echelon up, we're going to have more taxes generated for society. Am I right? Is that a proper assertion?

Mr. Gregory Thomas: There's no question that the best possible thing for government revenues is more rich people. That's absolutely correct.

Mr. Dave Van Kesteren: Mr. Clemens, you had a final comment.

I think I have a few seconds.

The Chair: Just a brief response, Mr. Clemens.

Mr. Jason Clemens: I would recommend looking at the welfare experience across Canada, particularly in Ontario in the early 1990s. It's a real-life experience of exactly what the member of the committee asked about.

• (1015)

The Chair: Thank you, Mr. Van Kesteren.

Ms. Nash, please.

Ms. Peggy Nash: Thank you.

Good morning to the witnesses. Thank you for being here.

I guess what I hear from Mr. Van Kesteren's line of questioning is if you don't want to be poor in Canada, choose your parents well. I guess that's what I hear him saying.

But let me get to my line of questioning. There was some debate about measures of inequality, and I suppose we could debate how many economists could dance on the head of a pin, but let me quote a couple of outside reputable organizations. The Conference Board of Canada gave Canada a C grade on income inequality and ranked us 12th out of 17 peer countries on income inequality.

The Economist magazine, that well-known left-wing journal, devoted an entire issue to income inequality last October and noted the relative increase in income inequality. Obviously, the U.S. is a more extreme example, but the magazine cited Canada as well. The OECD has found that Canada's level of income inequality is now above the OECD average. In 2011 the IMF, the International Monetary Fund, found that equality appears to be an important ingredient in promoting and sustaining growth. We've heard that from other witnesses. We've all heard, of course, of the 2009 groundbreaking book on inequality by Richard Wilkinson and Kate Pickett that demonstrates that inequality more than GDP or GNP has a significant impact on a range of social indicators, including life expectancy, literacy, teenage pregnancy, and incarceration.

The last point I want to make is that the Canadian tax benefits system used to be as effective as the Nordic countries' system in stabilizing inequality, offsetting more than 70% of the rise of market income inequality; it now offsets less than 40% of the rise of inequality in Canada.

We heard Mr. Alexander, from TD, talk about the important return investment in child care makes. He said that for every dollar you invest in child care, you get between \$1.50 and \$2 in return. For low-income families, that return is even greater. However, sadly, the OECD ranks Canada last when it comes to child care programs.

I'd like the panellists to comment on this. I won't ask any specific member of the panel, but I'd like to know what your views are on investment in child care services in reducing inequality and having better economic outcomes in Canada, if that would be desirable.

The Chair: Who would you like to start?

Ms. Peggy Nash: Mr. Lammam, let's start with you.

Mr. Charles Lammam: I'd like to maybe address the studies you cited—

Ms. Peggy Nash: Well, no, I'd like to get your comment on the child care issue, if you don't mind. I only have a couple of minutes.

Mr. Charles Lammam: I haven't done research on child care, but if there is an opportunity, I'd like to comment on the studies you did cite and explain why they're perhaps misleading.

Ms. Peggy Nash: Okay. Maybe someone later can do it.

Mr. Labrie.

Mr. Yanick Labrie: If I may,

[*Translation*]

Mr. Alexander may be better placed to establish what kind of impacts childcare investments can have. I had the opportunity to conduct a brief analysis of the situation in Quebec, where, as you know, there is a universal program that enables childcare to be provided for seven dollars a day. Unfortunately, because the program is not specifically aimed at the poorest families, it is benefiting families who are better off first and foremost, even if that is simply because these families have more contacts. People who are better off may be more motivated and more of them manage to benefit from this seven-dollars-a-day day care system.

• (1020)

Ms. Peggy Nash: It is a universal program.

Mr. Yanick Labrie: This has been very well documented.

Ms. Peggy Nash: People with lower incomes should perhaps have increased access.

Mr. Yanick Labrie: Exactly.

In fact, the problem of lack of spots in seven-dollars-a-day daycares is serious. People with lower income should be able to benefit from this system. However, they are unfortunately not those benefiting from it. I do not know whether this is because they do not have the means to go to the centres. Families with a single working parent cannot take advantage of this type of program. The idea would be to ensure that assistance is targeted to the least fortunate.

Ms. Peggy Nash: Thank you.

[English]

The Chair: Thank you. Merci.

Mr. Gregory Thomas: If I can pick up on—

The Chair: Sorry. I apologize, Mr. Thomas and Mr. Lammam. We're well over time in terms of Ms. Nash's round. If there's anything further you wish to submit to the committee, I'm happy to submit that to members.

I'm going to have to move on now to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

The line of my questioning is going to relate to aboriginal Canadians, the 1.2 million Canadians who are in the lowest income earning capacity currently. They're the youngest, fastest-growing, highest percentage of incarcerated, lowest-educated population in Canada. Fifty per cent of them make under \$10,000 a year in annual income.

The Fraser Institute has put out several publications, and I know it's neither one of your gentlemen's expertise, as far as I'm aware, but I do want to ask you if you see a correlation between resource revenue and wealth for aboriginals. Specifically, because I am from Fort McMurray, what I've seen over the last 30 to 40 years in Fort McMurray is that there is definitely, in my mind, a serious correlation between resource development in our north and riches of aboriginal Canadians.

For instance, Dave Tuccaro, who I've known for about 40 years, I think has been identified as the richest aboriginal in Canada, selling his businesses just recently for over \$100 million. I know many others, including many relatives of mine, who have more than \$1 million in cash in the bank who are aboriginal Canadians born on reserves and are treaty aboriginals.

But I do also see that there is a great disparity among aboriginal Canadians. What I didn't realize until I researched what the Fraser Institute has looked at is that Inuit Canadians actually make more money on average, more median income per average, than non-aboriginal Canadians, which surprised me somewhat. There is a correlation I think as well with the north's resource development and Inuit. It would support my thesis that resource development is very important to aboriginal Canadians and the wealth transfer to them.

Of the two gentlemen, I know one is appearing individually. But would you two gentlemen from the Fraser Institute agree that resource revenue is very important to the increase in wealth for aboriginal Canadians, who are among the poorest, lowest educated, and highest incarcerated in Canada's population?

Mr. Jason Clemens: With the caveat, as you opened your question, that this is not an area of expertise for either of us, I think given that caveat I would certainly agree with you that there is an enormous opportunity for aboriginal groups, Inuit groups, across the country to replicate the success observed by many aboriginal groups that are harnessing their resource wealth to improve their communities. In fact, the Fraser Institute is launching shortly a major initiative along these lines.

Secondly, which is important, we have large population areas of Canada where, due to an aging demographic generally, business will have no choice, to be blunt, but to find and discover new mechanisms by which to integrate the aboriginal communities around their areas into the labour force much more successfully than we've done. That is really purely a matter of an aging population, and as you've said, one of the only growing areas of the population in some of these communities—Saskatchewan as a province is a great example, as is Manitoba—is the aboriginal community.

Mr. Brian Jean: To be fair, on the integration, Syncrude, for instance, has received many awards from the aboriginal community, a gold level in the Canadian Council for Aboriginal Business's progressive aboriginal relations program. Some 12% of Syncrude's workforce of 8,000 are aboriginal Canadians. Suncor I think is about 9%. So there is tremendous success in northern Alberta and the richness by them....

There was a paper that was published by the Fraser Institute, by Gordon Gibson, who has an MBA from Harvard and is the Fraser Institute's senior fellow in Canadian studies. He served in the Prime Minister's Office under Pierre Trudeau and was an MLA and leader of the B.C. party. He is suggesting that identical tax regimes should be applied everywhere by repeal of section 87 of the Indian Act. Would you agree with that?

•(1025)

Mr. Jason Clemens: I would defer to Gordon on that issue. As you said, Gordon is the expert, and I would hesitate to.... I'm sorry, I'm reluctant to comment on an issue I haven't researched. Gordon has, and he has a particular view on that.

Mr. Brian Jean: Certainly he's a senior fellow for the Fraser Institute, so he's backed up by the Fraser Institute in relation to this particular recommendation. It's published.

Mr. Jason Clemens: No, I understand, but we need to be clear: the Fraser Institute doesn't take any particular position on any issue. We publish scholars and researchers as part of our mandate. Our board, our supporters, our staff don't necessarily agree with a particular researcher. Gordon has published a paper that went through peer review and it was determined to publish it. So that is Gordon's view.

But as I say, the institute and its supporters and its board don't necessarily agree with Gordon or any researcher on any particular issue that we publish.

The Chair: Thank you, Mr. Jean.

We'll go to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair, and thank you to the witnesses again.

[Translation]

I will first address Mr. Labrie.

Your economic notes are interesting. Since I read them in English, I will also ask you my questions in English.

[English]

There's a new release that was attached to the note, sir, and I'm not sure if everyone was able to see it, but I see that you've got five summed-up points. Do you happen to have the news release with you? No? I'm going to ask if perhaps you could send it to the committee. I think it ought to be taken into consideration when we form our recommendations. It does sum up very well things that you've already said about income inequality, including that the after-tax income for the poorest has increased by 23% between 1995 and 2000, that poverty is temporary, that income gaps are overestimated due to household size, that consumption gaps show little change, and that the data quality is likely distorted, especially due to the amount of income that is not fully declared. I would ask that you send that to the clerk, if you wouldn't mind, so we can take that into consideration.

But I do want to give Mr. Lammam an opportunity to rebut what Ms. Nash said about those studies. I, too, take issue with the way that was done and taken a bit out of context.

Go ahead, Mr. Lammam.

Mr. Charles Lammam: My point is just to reiterate the importance of income mobility and to emphasize that those studies are not considering it in their analysis. The problem with those studies is that when they're doing their comparisons of the income distribution, they're doing it at particular points in time. So if there is a gap between the top 20% and the bottom 20% in one year, say 1990, and they do the comparison 10 years later and find that it stayed the same or grew slightly, we can't draw policy conclusions from that alone because the people in the bottom 20% and the top 20% are not the same people year after year. This is why the findings in our study are so important.

What makes Canadian society so great is that people aren't stuck in those income groups. What's really great about our society is that you can transition from the lowest to the highest, and in very short time. The studies that were cited earlier do not account for income mobility, and therefore they provide misleading conclusions.

Let me just say one more thing about our study. We looked at income inequality the way people look at it in those other studies, but we follow the same group of people. So in 1990 we found that people in the top 20% earned about 13 times the income of people in the bottom 20%. That was in 1990. For the same group of people 19 years later, some in the bottom 20% had moved up to the very top, some moved up to the third income group, and some people in the top 20% initially had moved down. What we found is that now, in 2009, the average income of those in the top 20% was only two times the level of those in the bottom 20% initially in 1990—

Mrs. Shelly Glover: That's a great point, Mr. Lammam. I'm sorry, I have to interrupt, but it's because I only have a couple of minutes.

Mr. Clemens has a quote from his study and I'm going to read it: "...in a comparison of income of the same group of people over time, income inequality declined significantly."

Sorry, that's your study, Mr. Lammam, and I'd like to read that quote out so that we can perhaps make sure it gets into the report.

As Mr. Clemens was talking, as you're talking, Mr. Lammam, I'm hearing my life story play out in front of me. I was a single parent in high school, never finished grade 12, had to go on social assistance, finally went into university, got a policing job, had to use child care, but couldn't rely on day care during the day because I worked shift work—which is why I'm so proud of our government, which decided to give the families the money so they could choose their child care—and here I am now a member of Parliament. I happen to be, obviously, what you're talking about; you can't judge a book by its cover. And, no, we don't pick our parents, as Ms. Nash, tongue in cheek, said, but we do make life choices.

One thing I noted here today is that when you talk about the people stuck—the single parents, the drug abuse, alcohol abuse, no grade 12—in terms of the opportunity to move forward in Canada, as Ms. Carney said, there is equality of opportunity. Having said all of that, I noted that you did not say aboriginal people are stuck there, and that I found very interesting. So thank you for that.

● (1030)

The Chair: There are 20 seconds left.

Is there a brief response to that, Mr. Lammam?

Mr. Charles Lammam: Only to reiterate that that experience is the norm for Canadians. That's supported by the results in our study, that most Canadians follow that income trajectory.

The Chair: Thank you, Ms. Glover.

Colleagues and witnesses, I have some time challenges here. We have 15 minutes left in the meeting. I'm informed that one of the members wants to move his motion today. I am also informed another member wants to introduce another motion today, and we have a foreign delegation coming in at the end of this meeting.

I don't know if members want to move to the motions now. I'm looking for guidance, but the reality is that if we're going to allow for debate on the motions, it's probably best to go to them now.

I apologize to our guests for the shortness of the panel today. If there is anything further, please submit it to the chair and I will ensure that all members get it.

We want to thank you for appearing before us today, and also for our two guests appearing from Vancouver. Thank you very much for your presentations.

Colleagues, I'll move immediately to debate on Mr. Rankin's motion, which has been given the proper notice, and then we'll have a notice of motion *par M. Côté par la suite*.

Mr. Rankin, perhaps you can read your motion into the record, please.

Mr. Murray Rankin: Thank you, Chair.

Should I read the actual motion?

The Chair: Yes.

Mr. Murray Rankin: I think it has been distributed.

The Chair: Please do read it into the record.

Mr. Murray Rankin: The motion I've submitted is as follows:

That the committee invite the Minister of National Revenue and the appropriate department officials to appear before the committee before Tuesday, April 30, 2013, to explain the impact that budget reductions at the Canada Revenue Agency will have on the agency's capacity to effectively prevent, investigate and prosecute cases of tax evasion using international tax havens.

In our view, it would be very helpful to clear the air if the officials and the minister could attend and explain what is planned with the resourcing at the Canada Revenue Agency.

The motion is not intended to be partisan in nature. The spirit of my motion is clear. We think having the minister and her officials attend would represent a very basic level of ministerial accountability to this committee and would be consistent with the basic principles of accountability reflected in this government's Federal Accountability Act.

Yesterday in the House, the minister stated, to a question from one of her colleagues, certain things about the number of audit positions having increased by 40% and the staff in the aggressive tax planning division nearly doubling as well. She also referenced changes that are proposed in the current budget. Yet the information that has been presented elsewhere is that the budget of the CRA has been reduced—the number of full-time equivalents has declined by some 3,000 over three years. The minister has assured us the cuts will not affect the work of going after tax evaders and those who abuse tax havens.

It seems to me it would be helpful, as part of our job as parliamentarians, to have the minister and her key officials attend to assist us in performing our responsibilities to Canadians.

Again, I say this is not intended to be a motion of a partisan nature. I'm sure, like me over the past few weeks, all members will have heard from their constituents about tax evaders and tax havens, especially now, as we're all completing our taxes.

In my view, it is imperative that we clear the air and get a basic understanding of the resourcing implications at the Canada Revenue Agency so that we are confident they have the horsepower to do their important work.

Thank you.

• (1035)

The Chair: Thank you, Mr. Rankin.

On the speakers' list I have Mrs. McLeod and Mr. Brison.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

Certainly we do agree that the issue of tax evasion and the use of offshore tax havens is an important issue, which of course is why we agreed to participate in a study looking at that issue.

I would like to point out that on February 5 of this year we had officials from the Canada Revenue Agency. Certainly they were very clear that they had adequate resources. What they were really putting forward was interest in the need for tools. I was very pleased to see, of course, in economic action plan 2013, that we've actually moved forward in giving the critical tools the Canada Revenue Agency is going to need to do the job—one example, of course, being the FINTRAC—with a number of very important measures.

So we have had the officials indicating clearly that, please, we need some tools, but we are adequately resourced. The minister has responded to this issue in the House regularly, indicating that since 2006 we have increased by 40% the folks who are focused in on international auditing. We have realigned them so that they are working with public prosecutions in a much more effective way.

I think she has clearly stated that as Canadians change the way they file taxes—I think probably many people electronically file, or have their accountants electronically file—it is very obvious that we need fewer people sitting at keyboards, inputting those thousands and millions of paper returns, and that we have aligned our system to reflect the use of modern technology.

Really, I think we have a very busy committee. We have heard clearly from the minister. We have heard clearly from the representatives at the CRA.

If the NDP wants to include something in the recommendations of the report, certainly they are welcome to have what recommendations they believe are important. But to repeat that same message again and again I don't think is particularly an appropriate use of the committee's time.

Thank you.

The Chair: Thank you, Mrs. McLeod.

Mr. Brison, please.

Hon. Scott Brison: I would support this motion providing we add an additional meeting to the schedule and it doesn't cannibalize other activities of the committee.

I also think that while it may be self-evident, it bears repetition that we should actually have the minister appear prior to our report on the tax havens.

The third point is that having the officials does not replace the importance of a minister appearing before a committee on an issue like this. It's a fundamental principle of ministerial accountability. This is one of those opportunities to demonstrate that it may, or some may, still exist in Ottawa.

Again, officials appearing before a committee is not a replacement for ministers appearing before a committee and speaking on, representing, their positions on issues of importance.

The Chair: Thank you.

Mr. Hoback.

Mr. Randy Hoback: Thank you, Chair.

I guess I'm just kind of surprised, because we had the bureaucrats within the department here, and I asked them this question about resources over more funding versus more study. They were very clear that they actually needed more legislation, that they needed more tools to move forward on this. Why would we go back down that road when we've already been down there?

I'd just encourage you to go and read the blues. You'd probably get the answer to your question.

The Chair: Ms. Nash, please.

• (1040)

Ms. Peggy Nash: This seems to us to be a basic issue about political accountability. The issue of tax havens is important enough to take several sessions of study, by several meetings by this committee. It has captured certainly the attention of the public because of some high-profile cases where whistle-blowers have come forward. It is an issue that is topical and timely, and it is an absolutely valid, fair, and logical question.

How will the minister, not the bureaucrats but the minister, square the circle of reducing 3,000 full-time equivalents in CRA while at the same time beefing up enforcement to crack down on tax havens? I think it's a logical question. I would think the minister would be coming forward voluntarily, would be rushing to the finance committee, to explain that to us and to Canadians.

The Chair: Thank you, Ms. Nash.

If there are no further speakers, I will go to the question on the motion.

(Motion negatived)

The Chair: I understand....

[*Translation*]

Mr. Côté, would you like to present your motion?

Mr. Raymond Côté: Thank you very much, Mr. Chair.

Since everyone has the notice of motion, I will not read it now.

Yesterday, we had our Opposition Day. I will reiterate some of the arguments I presented. I will simply go a bit further by saying that there are dangers to increasing custom duties. A problem already exists. It is a fact that there is a price difference between prices in

Canada and the U.S. Unfortunately, this clearly encourages Canadians to cross the border and shop in the U.S. Entire regions are feeling the effects of this.

I want to talk a little bit about one of the aspects of these increases in custom duties. As the member for Beauport—Limoilou, obviously, as I said yesterday, I run into the carts...

[*English*]

The Chair: Monsieur Côté, what is allowed is that a member can read a motion into the record.

[*Translation*]

Mr. Raymond Côté: I see.

[*English*]

The Chair: Then there's a 48-hour period and then we discuss it. Members don't have to present it to the committee.

[*Translation*]

Mr. Raymond Côté: That is fine. You are right.

[*English*]

The Chair: They simply submit it to the clerk.

[*Translation*]

Mr. Raymond Côté: I see.

[*English*]

The Chair: In fact, I'm not sure why members are doing—

[*Translation*]

Mr. Raymond Côté: Thank you for calling me back to order. You are completely correct. My apologies.

[*English*]

The Chair: If you could just read the motion...

[*Translation*]

Mr. Raymond Côté: I will read it.

That the Standing Committee on Finance undertake a study on the impact of the custom duties increases proposed in the 2013 Budget on the price gap between Canada and the U.S. and on the policy measures that could be implemented to reduce this gap, and that it report its conclusions to the House.

Once again, I apologize.

The Chair: Thank you very much.

[*English*]

We will discuss that at a future committee meeting.

Colleagues, we'll take a quick break here. We do have a delegation coming in momentarily.

We'll adjourn this meeting and start the other one right away.

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