

We have another problem. What are we going to do about regional disparity? I don't think there is a doubt that by using monetary methods we can restrain the economy, but can we do it fairly? For if we try to restrain the red-hot economy of Toronto, what is going to happen to the economy of Newfoundland?

Monetary restraints, as we found in evidence before the committee, cannot be regionalized; you apply them holus bolus or you do not apply them at all. The evidence suggested that while we must apply monetary restraints to the present inflationary situation, the federal Government has a responsibility to maintain its regional fiscal programs. In other words, it may on the one hand apply monetary restraint, but on the other hand it has to continue with the regional incentive programs. This is another difficulty confronting the federal Government in trying to control its fiscal expenditures and in trying to damp down the economy fiscally. There is no doubt that we need fiscal restraint in order to control inflation. It must run hand in hand with monetary restraint, but we should not think of it in terms of just overall restraint. It is not of benefit just to say that we have a surplus in our budget. What we actually have to have is particularized restraint.

One of the things that came out very clearly in the committee hearings is that, first of all, we must improve our accounting procedures in Government. They are talking of a new cash-flow method—I think Dr. Bryce was talking of it, and he called it a financial flow accounting method—which would show the effect of federal Government expenditures not only on the Government and on the economy generally but also on the whole private sector of the economy. Progress must be made in our accounting methods.

It seems to me that another conclusion that flows from this is that we must have proper fiscal arrangements with the provinces, which not only answer the provinces' problems but which also take into account that if the provinces have now become the big spenders in Government they have an obligation to help control inflation in the economy, and that they must be willing to sit down with the federal Government and talk about restraint just as much as about expenditure.

The last conclusion I draw is that we must have a method of reviewing our expenditures in Government. The chairman has already referred to that fact. It came out in our hearings that we apparently have controls over the expenditures themselves to see that

there is no waste in the appropriation, but we do not have any control over whether the program will be effective: will it do the job that has to be done. Is it the best use of the resources that are available?

I cannot emphasize too much that in Canada we must take steps, and take them immediately, to put in a system whereby we can examine not only the programs of tomorrow but the programs that we have had in operation for years, to determine whether or not they are doing the job we want done and whether they are the most effective use of the resources we have at hand.

Honourable senators, my final remark is on taxation disparity. The Chairman has already dealt with that. He stated that in comparing Government expenditures in Canada and the United States we actually compare quite favourably. In 1968 all governments in Canada spent 19.8 per cent on goods and services and 10.7 per cent on transfer payments, for a total of 30.5 per cent of the gross national product. In the same year in the United States they spent 22.9 per cent on goods and services—quite a bit more than we did, about three percentage points, but you must remember they have a \$30 billion-a-year war going on in Vietnam—and they spent 6.8 per cent on transfer payments, as against 10.7 per cent in Canada, considerably less. However, for the purposes of this exercise they are much the same: 30.5 per cent of the G.N.P. was expended by governments in Canada, and 29.7 per cent in the United States.

Hon. Mr. Martin: May I ask the senator, is that 29 per cent federal Government expenditures in the United States or all governments? If it is of all governments, does the honourable senator have a breakdown as between state and federal government expenditures?

Hon. Mr. Everett: I am sorry. I do not have that breakdown, but I will be glad to get it for the honourable senator. Indeed, both figures include all governments.

The final point I wish to make is that in financing those expenditures the United States relies more on personal income tax than we do. They get a greater percentage of the revenue they require from personal income tax than we do, and yet personal income tax rates are lower in the United States than in Canada. If you want to combine those with special tax rates on goods and services, they are still lower. The explanation of this paradox is ultimately important to everybody in this chamber and in this nation.