

revenues from federal sources is higher than it was shortly after confederation. It may be that this situation, in one aspect or another, is an inevitable consequence of the federal system.

Now I want to refer to another matter which is very much in the public mind, and will, no doubt, be widely discussed as we approach the next general election. I refer to taxation. As is well known, our current budget is of the order of four and a half thousand million dollars. Of this sum approximately one and three-quarter billion dollars is devoted to social security, debt charges and transfer payments to provinces; more than two billions go to defence, and administrative expenditures absorb the balance, about \$670 millions. It was to be expected that this budget, and the expenditures for which it provides, would be attacked by the opposition. It is so attacked, and rightly so. That is one of the functions of an opposition.

I doubt whether any future government will make a change with respect to transfer payments to the provinces, social security and debt charges.

At the present time our administrative expenses are \$670 million. I am not unmindful of the recommendations that have been made by the Senate Finance Committee as to possible achievement of savings. I can assure you that the government has taken these recommendations into consideration and will continue to do so in an effort to effect every possible economy. It might be argued that a new government, on the principle that a new broom sweeps clean, would make greater reductions than the present government is making. From a dollar and cent point of view a change in government might be all to the good, but if the various demands on the part of opposition are sincere, a change could well result in the saving of a dollar on one expenditure but the addition of a dollar and a half to another. Over all, I do not think there is likelihood of much change.

The chief factors in the incidence of future taxation are two in number: one is defence expenditure and the other is the level of Canada's prosperity. As to the question of defence, Russia's attitude and actions leading up to Korea were responsible for our defence expenditures and those of our allies. Until we are sure that the danger of an all-out war is past it would be folly to neglect an adequate defence program. Russia has recently adopted a new attitude. She has now ceased to talk about the inevitability of war between herself and the capitalist nations, and is claiming that there is more likelihood of war between certain of the capitalist nations because of trade differences. If this results

in less sword waving, more co-operation, and a possible armistice in Korea, western governments will have difficulty in convincing their taxpayers of the necessity for defence expenditures. Real disarmament would provide a solution, but this is unlikely, since Russia will never agree to an inspection, and the allies will never agree to real disarmament without inspection. At the moment it would appear that an adequate defence program will be necessary for a long time to come.

Huge defence expenditures are facing every country, including the United States, and I can think of only one real approach to the baffling problem of maintaining adequate defence protection. The NATO countries are bound together by solemn agreement for their mutual defence. In other words, we sink or float together. I may not be too accurate in my figures, but I would say that the NATO countries together provided over \$50 billion for NATO forces alone this year. It is my guess that with the additional expenditures beyond this, the total spent by NATO countries this year reached \$70 or \$80 billion. Much of this expenditure is bound to be uneconomical because of the lack of standardization of equipment, and for other reasons such as the duplication and lack of adequate checks and balances. This sort of thing is inevitable when even Great Britain and the United States cannot agree on the question of a uniform rifle. Imagine the cost involved in maintaining different types of firearms, ammunition and so on! I have good authority for saying that when General Eisenhower was NATO commander he was credited with the statement that if he were dealing with one government instead of several he could provide better defence at half the cost.

**Hon. Mr. Haig:** Hear, hear.

**Hon. Mr. Robertson:** When the United Nations organization was formed it was hoped that it would provide all armaments. This was impossible, but something approaching this in principle will have to be worked out by NATO. Our best hope for adequate defence at the least cost will have to be found in some new form of international co-operation with our allies.

I want to deal now with the possible change in the level of prosperity, which is something that will have a great bearing on taxation. As I said a few minutes ago, our gross national product today is \$22½ billion. In 1949 it was \$16½ billion, and in 1939 it was something just over \$5 billion. What will it be tomorrow? Corporations do not pay income tax unless they show profits, and individuals do not pay income tax unless they have the necessary income. The level