

huge amounts of money to the provinces in order to assist in hospitalization throughout Canada. The bill for the first year to the federal Government was approximately \$180 million, and I believe that amount has now risen to approximately \$400 million. That is for the hospitalization scheme alone. As I say, that was a problem which presented itself to the previous administration in 1957.

I am not criticizing anybody for these things. That was a proper social security measure which was enacted at that time. Perhaps Canada was ready for it; in any event, those are the facts. It made the budgetary situation at that time very difficult indeed.

Honourable senators, another problem which was faced at that time, and indeed is being faced now by the present Government, was the insatiable regional demands of various parts of Canada wanting financial assistance, and also what I refer to as the insatiable demands of the provinces for either additional fields of taxation or direct subsidies from the Government of Canada.

Although our economy today is in an excellent state, there are weaknesses which must be faced during the next few years. I propose to refer to some of these weaknesses.

Senator Davies referred to the tremendously high taxation that we have. Now, it may be difficult to compare the impact of taxes here with the impact of taxes in the United States, but I believe that the impact in Canada even now is higher than it is there. Although our economy in Canada is in a splendid condition, nevertheless the income per capita of people in the United States is nearly one-third greater than it is here. Consequently, there is a one-third greater ability to pay taxes in that country than in Canada.

As far as I can see, the rates of taxation in the United States, by and large, are not very much different from the rates here. That is why I say that the revenue from taxes here, now and in the future, is one of our serious problems; and perhaps in the Senate we should talk more about this problem. It is important because we live in a competitive world, and if we tax our people more than our neighbours are taxed, this will diminish our opportunity to compete with our neighbour and with other countries in the markets of the world, and thus prevent us from continuing and improving our present high standard of living.

The second problem which is associated with that of high taxes is our budgetary deficit. Senator Davies said he was shocked by the report given in the other place yesterday in regard to the tremendous increase in expenditures which is taking place right now. Of course, that increase must be made up

either by taxation or by increased budgetary deficits.

Budgetary deficits may not be as important or as serious in the minds of some people as they are in the minds of others. We have had such deficits for several years, and certainly will continue to have them for some time unless some effort is made to reduce the cost of government.

Another very serious problem is the unceasing appetite of the provinces for more money. Recently, we had a federal-provincial conference, at which the federal authority found it necessary to pay over about \$180 million to the provinces. I understand we are to have another federal-provincial conference in April, the result of which may be similar or even worse in so far as the national exchequer is concerned.

Honourable senators, these are some of the things which led to the budget fiasco that occurred here on June 13; and these are some of the problems which will cause great difficulty for government in the months and years ahead.

I should like to say a few words as to why we are spending all this money, and why we are facing these taxation and budgetary problems. There are many reasons, but an obvious one comes to mind immediately. There is the question of our social services or social security commitments which have been made and are being made.

As is well known, in 1956-57 our expenditures on social services amounted to about \$900 million. For the fiscal year 1962-63, these increased to \$1,900 million, being an increase of approximately \$1 billion. For the 1964-65 fiscal year I do not know what they will be but, even without the cost of the proposed Canada Pension Plan, they will certainly be \$2 billion, or even more.

Honourable senators, sometimes I think that in our present situation, and considering our need to retain a sound economy if we are to compete with other countries, we should take a bit of a holiday from indulging in additional social security commitments involving large expenditures. I think it would be good for everybody if we could declare a holiday for some time in that respect. I recall seeing reports of speeches made by the present Prime Minister during the last election campaign, indicating this point of view, namely, that in his judgment there should not be any additional expenditures on such services until there was such an expansion in our economy that we could afford additional expenditures.

I come now to the proposed Canada Pension Plan. Without going into its details I question whether it is in the best interests of the country to proceed with it as is being done today. Let me give you some figures on comparisons of current social security expenditures by