

On page 12A, a comparison with other countries is shown:

In our Appendix, Table 8 shows that in Canada total expenditures of all levels of Government in 1968 was 34.7 per cent of the GNP. The table also shows that in 1966 Canada's percentage at 32.2 per cent was higher than that of the United States and Switzerland, but lower than six other major countries. While comparative statistics for later years are not available, the Minister of Finance stated in March of this year that the percentage in developed western nations is somewhere between 30 and 40 per cent of the GNP, and that Canada is about halfway between those figures.

Hon. Mr. Martin: May I ask Senator Leonard if the committee's report at some point shows that the level of expenditures of provincial governments is higher than the level of expenditure by the federal Government?

Hon. Mr. Roebuck: Is that on a per capita basis?

Hon. Mr. Martin: No, in relation to the gross national product.

Hon. Mr. Leonard: The report does deal with that and I think it is fairly lengthy. On pages 7 and 8 you will find statistics dealing with that matter provincially and municipally.

May I say that roughly half of the 34.7 is represented by federal Government expenditure and the other half by provincial and municipal expenditures together. Of course, the latter section has been increasing at a more rapid rate than that of the federal Government. The federal Government expenditures also include transfer payments.

Hon. Mr. Roebuck: You mentioned an appendix with Table 8, but this is not Table 8?

Hon. Mr. Leonard: There are tables attached to the report. You will find that it is a very complete report. In fact, it is one of the most complete statistical reports which could be compiled at this time, bringing together statistics from various sources on the matters which the committee was studying.

In addition to studying a comparison as between countries, we were concerned also about the relationship between individuals in respective countries. We had some excellent evidence on that from Professor C. L. Forget and from some other sources.

In the lower portion of page 13, the report says:

When we compare individuals and families in similar circumstances in Canada and the United States as to income tax paid, a rather disturbing paradox evolves. Tables 12, 13 and 14 indicate that the United States families in the middle and upper income levels pay substantially less income tax than their Canadian counterpart. This is a result of the lower ratio of taxable income to gross income which is due to the deduction of items such as mortgage interest, property taxes, state and local sales taxes, and state income taxes, as well as from a more liberal definition of what can be claimed as charitable donations. Another advantage to married taxpayers is the possibility of filing joint returns. The paradox is resolved when you consider that there is a greater percentage of U.S. taxpayers in the upper income brackets where a high income tax rate prevails. Table 9 shows this situation very graphically. It will be seen from it that 43.5 per cent of Canadians have incomes under \$4,000 compared with 30.7 per cent in the United States, and on the other hand only 5.8 per cent of Canadians have incomes over \$10,000 compared with 24.5 per cent in the United States.

In winding up my remarks on this report, honourable senators, I shall read only the last paragraph:

The Senate Committee on National Finance recommends strongly that in the present revamping of the Canadian tax structure, attention be given to decreasing this differential in income taxes between Canada and the United States in the middle income groups to decrease the incentives of these groups—the professional and management groups—to emigrate to the United States.

That is all I have to say on the report, honourable senators. I wanted simply to bring the highlights to you. I wish now to add my thanks and appreciation, first of all to Mr. Houston who was our research consultant and who worked long hours and very hard and ably in gathering information that has come from various statistical sources—some from Washington, some from the E.E.O.C., some from the Department of Finance, and some from our Bureau of Statistics.