

of the present magnitude at a time of strong inflationary forces. Firstly, we were concerned with the extent to which such expenditures might increase the pressure of demand on goods and services; secondly, as to the effect of the taxes required to meet such expenditures; thirdly, the comparative position of Canada vis-a-vis other countries in the levels of its expenditures and taxes; and fourthly, we considered the question of regional disparity within Canada in its relationship to Government expenditures and taxes.

In a study such as we have made, within the time available, far be it from me to magnify the conclusions or recommendations of the committee. I do wish to point out to the Senate, however, that we have had some very important contributions made by extremely knowledgeable persons on a subject that is pretty vital to the people of Canada. We have had as witnesses Professor E. P. Neufeld, head of the Department of Economics, University of Toronto; Professor C. L. Forget, from the Economics Department of the University of Montreal; Dr. A. J. R. Smith, Chairman of the Economic Council of Canada. We also had Dr. R. B. Bryce, Deputy Minister of Finance. In addition, we had our own research consultant for the committee, Mr. Thomas Houston, who has gathered a great deal of information from sources which are within and without Canada, and some of which you will find in the tables attached to this report.

I think I can best summarize the result of the committee's deliberations on these various impacts of the estimates by reading a few excerpts from the report.

On the subject of inflation, on page 5, paragraph 6, line 6, the report states:

We may therefore conclude that the budgetary accounts for 1969-70 seem to contain a deflationary element, but that this influence will emerge not from a slow-down in expenditures but from increased tax revenues. Furthermore, the estimated increase in federal revenues results, not from direct fiscal restraint action by the Government, but from the built-in progressiveness of the income tax structure. Evidence before the committee was to the effect that for every 1 per cent increase in gross national production, there would be an increase of 1.1 per cent to 1.2 per cent in federal revenues.

So much for the subject of the immediate problem of inflation.

We also dealt with a recommendation which had been made in previous reports of the committee, with respect to the increase in expenditures, and at page 9, paragraph 11, line 7, it says:

This led to the committee's recommendation that Government expenditures do not increase at rates greater than that of gross national product when there are inflationary forces present. The committee holds that this recommendation is still valid, and welcomes the real efforts of the Government to decrease the rate of increase of expenditures in the past two fiscal years. The committee in its last report also expressed its concern as to the methods of federal-provincial cost-sharing programs where the federal Government has not had any control over the level or rate of growth of such programs. This concern is again relevant as of the 9 per cent increase in the Estimates over the preceding year; one-half of this increase is explained by larger payments to the provinces in the form of unconditional fiscal transfers, and for grants in shared-cost programs in health, welfare, and education.

The next item I would read to you is on page 11. We were considering the matter of the continuance of existing programs without a restudy of the objectives of those programs, and whether or not they were being best accomplished by the method being used. On that page, in paragraph 13, the report says:

The Senate Committee on National Finance feels that special attention should be directed towards setting up machinery to evaluate continuously the benefits derived from programs already in existence, to ensure that they have not become obsolete, or that there are not other more efficient means of obtaining their objectives. The Family Allowance program was used by Professors Neufeld and Forget, and Dr. Smith as an example of a program that raises considerable doubt as to whether it achieves its desired social objectives, and even worse, what the social objectives are. In his evidence Dr. Bryce said that it had been indicated publicly by the Prime Minister that the Family Allowance program is being reviewed to see whether it should be modified and in what respect it should be done.