

*Financial Administration Act*

If I could summarize, I am saying that as a result of our tax system and, more important, as a result of present expenditures paid either through direct taxation or by debt, we now have a much greater imbalance than was the case even 10 or 15 years ago between the tax load in Canada and that in the United States. I pointed out that a person in the United States earning a basic salary of \$19,700, according to one of the largest accounting firms in the world, would need to earn \$28,996 in Canada to give him the same take-home pay after tax. To carry the example further, a person in the United States earning \$35,460, according to the same international accounting firm, would need \$53,714 simply to get the same take-home pay after tax in Canada.

I think that that type of dramatic evidence should be enough to arrest the propensity that the government has shown for spending. Surely every day that we question the government on the flight of capital from Canada to the United States we are touching a nerve; we are touching something that is very undesirable. But when you add the fact that it is not only capital that is leaving but some of our best, most highly trained professional people, people who are moving because they feel that the tax load which they now have to bear in Canada is unbearable, the situation is all the worse.

Another international chartered accounting firm has given me the benefit of a schedule that they sent to one of their international clients in which they gave a tax equalization comparison for 1967, comparing a person who lives in Ontario with a person who lives in New Jersey, U.S., assuming these persons have a \$20,000 salary, a \$40,000 salary and a \$60,000 salary in each country. This breakdown indicates that the person earning at the \$20,000 level pays \$1,000 more tax in Canada, compared to his counterpart in the United States. In short, that person would be required to pay \$3,708 in Canada, compared to his counterpart in the United States who would be required to pay \$2,734. The person earning \$40,000 would pay \$3,900 more taxation in Canada than in the United States. The person earning \$40,000 in Canada would pay \$12,369, compared to his counterpart in the United States who would pay \$8,472. The person earning \$60,000 would pay \$6,400 more taxation in Canada than in the United States. In short, he would pay \$22,737, compared to his American counterpart who would pay \$16,330.

● (2012)

Now that the emperor has had ten years to place this burden upon Canadians, surely that heavy burden is evident. A significant thing which leads to this imbalance regarding tax load is the fact that the American counterpart has many more deductible items to subtract from his income before he pays taxes. More importantly, the tax load in the United States does not have to be as high. In fact, it is roughly 80 per cent of our tax load, because their expenditures are not as high. With regard to the gross national product, all governments in the United States take 35 per cent, whereas the governments in Canada take 43 per cent. The 8 per cent difference is borne by

[Mr. Stevens.]

Canadian taxpayers. The bulk of that difference is an unnecessary charge.

Once again I should like to refer to the 1966 report of the Royal Commission on Taxation, usually referred to as the Carter report. Page 158 of Volume III reads as follows:

For many Canadian workers, the market for their services is continental, not Canadian. This is especially true for highly skilled and professional employees who are increasingly sought by United States and other foreign employers as well as by employers in Canada. The so-called "brain drain" from Canada has been widely noted and deplored by many observers. We are anxious that the Canadian tax system should not contribute to that drain.

It continues:

We are, however, concerned with reducing Canadian taxes on skilled workers and professionals to the point where there are no major tax incentives for emigration to the United States.

Then it refers to various examples, such as I have given, in respect of comparative tax loads. It concludes as follows:

... taxes are substantially above the average for the respective countries. As can be seen from the data given in the table, income taxes are higher in Canada in all examples.

The Carter report found evidence of a tax imbalance, and it made recommendations as to how a new equality could be arrived at between the Canadian tax level and that of our neighbour to the south. Unfortunately the government only listened partially to the recommendations contained in that report, the net result of which is that the imbalance has widened rather than narrowed.

This brings me to the following crucial question: Why has there been such an explosion in government expenditures? I hope the Comptroller General, when he takes office, will do something about this explosion. This explosion is evident when one considers the government as an employer in our economy. In an earlier speech, I referred to some figures which I should like to give again. The President of the Treasury Board (Mr. Andras) was almost hysterical because he was embarrassed by the growth in the public service since the government took power. I should like to refer the President of the Treasury Board to the 1977-78 publication of the National Finances. At page 82 it is spelled out clearly why we are living with the expenditures of today. This publication was put out by the Canadian Tax Foundation, and reads in part as follows:

The increase in the number of employees is a striking indication of the growth that has taken place in the size of the government during recent decades. In March 1925, when figures were first published, federal government employees numbered 39,000, compared to 121,000 at March 1946 at the beginning of the postwar period, and 580,022 at June 30, 1977.

I am glad Your Honour was seated when I read those figures. Is that charisma in action? Perhaps the Economic Review tabled on Friday fills in the other gaps, which explains why expenditures have risen so dramatically. In this connection, I refer hon. members to the Economic Review dated April 1978. At page 88 they will see how the deficit has been allowed to grow in Canada during the ten years the emperor has ruled us. The federal government deficit is shown as being \$7,343 million. During the 1960 to 1970 period, the average surplus was \$80 million. Thus, we came out of the 1960 to 1970 decade with an average surplus at the federal level of \$80