

of the 1960's with the rest of the world. The Committee recognizes the difficulties in making international comparisons, and the implications of differences in environment—geographical, social, economic, and political, on the economic involvement of the public sector.

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 half way between those figures.

16. The Senate Committee on National Finance heard evidence from Professor C. L. Forget on the relative weight of taxation on incomes of individuals and families in Canada and the United States. Professor Forget did a similar study for the Royal Commission on taxation. In Table 10 he considers the comparative importance of expenditures on goods and services, and transfers to persons by Governments, and concludes that in Canada a high level of public purchases of goods and services plus comparatively liberal transfer payments have entailed a higher aggregate level of Government operations than has been the case in the U.S. This is even more pronounced when you omit the United States involvement in Vietnam. Then he concerns himself with how Government operations are financed, and concludes, as can be seen in Table 11, that the structures of taxes in Canada and the United States have been and are such as to minimize the impact through personal income taxes of the relatively more costly government sector in Canada. Canada is making far less intensive use of the personal income tax, but this is offset by a greater reliance on indirect taxation. Recent

changes (since 1966) in the level of personal income tax, and social security contributions, —and in particular the Canada and Quebec Pension Plans, have increased the percentage contributions from these sources closer to the United States level—but a marked difference remains.

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. tax payers 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 \$4000 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.

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.

All of which is respectfully submitted.

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