

direction large enough to affect our cash requirements to any important degree.

Our efforts to hold expenditures this coming year to the level I have described, despite the increases necessary for the social security legislation of last year and for defence, have caused me to realize that we must now expect for some time to have budgets as large as this one--that we must cope somehow with a continuing level of expenditure of \$2,400 million, even in the absence of large scale economic difficulties or widespread unemployment. Our special post-war demobilization and transitional expenditures are now almost all behind us; we can expect a tapering off of some of the remaining payments for the veterans program and some of the other items which we have labelled "Terminable Services" in the estimates, but these we must expect to be offset by increases in other services required in normal times, particularly those on the development of natural resources. In years when economic conditions are adverse, we must expect not only lower revenues but higher expenditures to assist in overcoming these economic difficulties and to maintain satisfactory levels of employment and income. In good years we can hope to avoid such special expenditures and have buoyant revenues--but I doubt if the public or this House of Commons will really wish government services or activities to be reduced in years of prosperity to the degree necessary to get our expenditures much below this level of \$2,400 million. If we get a substantial improvement in the international situation we may expect a reduction in defence costs that will materially lighten the burden on the budget, but it would be a bold man who would predict this with any confidence now.

Our union with Newfoundland has been warmly welcomed in every part of the country, and I am confident that the mutual advantages of this union will be demonstrated with increasing force as each year passes. But I think it is fair to remind the house that during the past year and over the next few years the accession of Newfoundland to Canada has imposed and will continue to impose a considerable net burden on the federal treasury. We share with our fellow citizens in Newfoundland a great confidence in their future, but in the meantime the social and developmental costs to be borne or shared by the central government will involve large net financial outlays.

Payments to provinces for statutory subsidies and compensation under the tax rental agreements totalled \$104 million in the current fiscal year, and for the remaining term of these agreements the annual payments to the provinces concerned will be even larger than this year, whether or not any downturn in economic activity should occur in the next year or two. As already announced, there will be another conference with the provinces this fall, and whatever may be the eventual outcome of that conference, I think it is fair to assume that its decisions will not result in a lessening of the net burden on the federal budget.

Naturally we hope to reduce expenditures by improved efficiency in operation and by economies in administration. We have been making good progress in this direction in recent years in many of our departments--quietly but effectively. Since it has been accompanied in many cases by an expansion in the work of the department or unit concerned, it is frequently not evident from the figures. We are pressing ahead further with this work, and building up a corps of efficient operating and administrative officers. But we should not delude ourselves