

of the areas where there is low economic growth.

11. The Senate Committee on National Finance in past reports, has recognized the problems imposed upon the Government by the above forces. The rate of increase of expenditures as Chart 2 shows accelerated in the mid 1960's, and it contributed to inflation, and created uncertainty in the private sector as to the Government's desire for and ability to maintain price stability. This led to the Committee's recommendation that government expenditures do not increase at rates greater than that of GNP 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 programmes where the Federal Government has not had any control over the level or rate of growth of such programmes. 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 programmes in health, welfare, and education. There were additional increases in public debt charges, but it is encouraging that the increase for all other Federal programmes and services provided through the budget were held to less than 4 per cent, which is less than the rate of increase in wages and prices in the country as a whole.

12. The increases in the public sector's share of GNP and the accompanying higher taxation levels in the 1960's, have led the Senate Committee on National Finance to give serious consideration to the implications of this expansion for long-term economic prosperity and satisfaction of social objectives. The Government sector involves a significant portion of the nation's output, but there is an absence of detailed information with respect to the objectives of, and criteria for performance of major government spending commitments. Hence there remains the worry that the nation may not be efficiently allocating its resources in the Government sector. This lack of efficiency in utilization of resources, may take two forms. The first deals with waste in executing specific projects or procedures. The public sector has quite sophisticated machinery to handle this. The

second deals with waste from inadequate economic and social benefits derived from given programmes. Your Committee stresses the need for developing procedures to clarify and determine goals and objectives; and to develop methods for providing a more accurate assessment of what certain goals will cost, how they may best be achieved, and what resources are required to meet various ends in relation to the resources available in our economy. The Committee recognizes that some work has been done in this area at all three levels of Government, but feels that such work has just scratched the surface and that great benefits can be derived from more intensive research and consolidation of findings.

13. The Senate Committee on National Finance feels that special attention should be directed towards setting up machinery to evaluate continuously the benefits derived from programmes 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 programme was used by Professors Neufeld and Forget and Dr. Smith as an example of a programme that raises considerable doubt as to whether it achieves its desired social objectives, and even worse, what the social objectives are. In his evidence Mr. Bryce said that it had been indicated publicly by the Prime Minister that the Family Allowance programme is being reviewed to see whether it should be modified and in what respect it should be done. On a more general level, your Committee recommends a review of the principle of universality in welfare schemes. There is a feeling present that those who really need welfare assistance are not getting it and many who do not need it are getting it. The arrival of more sophisticated accounting and administrative procedures make selective welfare programmes more feasible.

14. The Senate Committee on National Finance also heard evidence from Professors Neufeld and Forget and Dr. Smith on the merits of a ceiling on the national debt. All three did not support the idea of such a ceiling and considered that much greater benefits can be derived by the continuous application of efficiency criteria to government expenditures.

15. The Committee also heard evidence as to the comparison between Government expenditures and revenues of different countries, in order to relate Canada's experience