

Federal Transfers to Provinces

from its open-ended commitment to match provincial expenditure according to various cost-sharing formulas for health and post-secondary education. From 1977-78 on, transfers of hospital insurance, medicare, post-secondary education, and the remnants of the revenue guarantee were unified into a package which was labelled the established programs financing, EPF. Part of that was financed by a transfer of personal income tax and the rest was in the form of cash grants.

What has happened since we reached that watershed? What has happened since 1977-78? From then until 1981 the federal share of revenues after transfer climbed from 32.3 per cent to 38.3 per cent, back to roughly the level it was in 1970-71. That has occurred because of the National Energy Program and other revenues; but the simple fact is that the financing capacity of the federal government has increased substantially. Transfers as a percentage of total provincial and local revenues continued to fall from 18.9 per cent to 17.5 per cent, compared to the 1971 level of 20.8 per cent. Transfers as a percentage of provincial local expenditures also declined from 19.2 per cent to 18.1 per cent, again down from the 1971 level of 19.8 per cent.

So by every measure the provinces and the municipalities are now less dependent on federal transfers than they were a decade ago. Indeed, the federal government now has as large a share of total government revenues, after transfers, as it had in 1971, and a significantly larger share of total government spending. Yet in 1971 the federal government was practically in a break-even position. I think it had a small surplus in that year, and I do not recall that there was any reputable person raising the spectre of the fiscal imbalance at that time. You will remember that better than I would, Mr. Speaker.

So it should come as no surprise that in the same period from 1978 to 1981 when we saw federal revenues after transfers increasing 81.9 per cent, and federal expenditures after transfers increasing only 50.7 per cent, we should have a significant cut in the federal government deficit and a redress of the balance that the federal government was so concerned about.

• (1530)

The outlook today is that between now and 1983-84, according to federal projections, the federal government expects to increase its revenues after transfers by 38.1 per cent and increase its expenditures by 31.8 per cent, while increasing its transfer payments to other levels of government by only 13.7 per cent. Obviously that is considerably lower than the rate of inflation.

The clear message that I want to leave today is that we have an expectation that the Government of Canada is freeing up its financial resources for new spending programs, more government, more intervention, a higher visibility in the economy, more direct funding programs, more interference in the grassroots programs in the country, with no cost-shared programs and no involvement of the provincial governments and local governments in the administration of these programs.

What we have is a repetition of the great wave of federal spending that we had in the early 1970s. It is going to return

us to the same problems we had at the end of the seventies at a time when we have shifted a greater load, and therefore a greater taxing requirement, onto other levels of government. The result will be that the over-all provincial and federal government tax load will be considerably greater once we move through this process. The goal is not merely to restore the fiscal balance that prevailed about ten years ago, but to establish a new balance which is substantially more favourable for the federal government. That will take place at the expense of adequate funding of the programs we are talking about today, post-secondary education and medical care.

There is no question that this is something that Canadians must be concerned about. The decision of the federal government to use none of the energy revenues to enrich the equalization programs or continue the financing of the established programs such as the medical and post-secondary education programs reflects the belief of the government that all additional revenues should be applied either to lowering the federal government deficit or, as I indicated a minute ago, to increasing federal government programs and spending; in other words, larger government.

We have had no indication of the government's desire to put some of that money toward an energy tax credit. There are no job-creating programs of any substance, no flow back into the economy through tax incentives and these huge revenues that are coming in as a result of the energy programs. What we have is the government trying to put forward an image of a steadily eroding federal authority over the national economy. That is very suspect indeed. A very persuasive case can be made that without radical changes the federal role in the national economy will become more and more dominant, maybe as dominant as in the early post-war years.

Hon. Gerald Regan (Secretary of State): Mr. Speaker, I want to begin my remarks by dealing with some general thoughts about the financial times and the problems that face not just Canada but other countries of the western world. After I have dealt at some small length with these problems in general, I would like to turn my attention to the question of post-secondary education wherein my particular responsibility lies.

It is generally recognized that the levels of deficits being operated by government in Canada, the United States and some other areas are contributing in a significant way to inflation. It is generally recognized, not just by economists but by most citizens, that it is important for elected governments to show some restraint in relation to the growth of expenditures and make every effort to reduce the deficits that exist. If that is to occur, it is going to take the co-operation of the different levels of government to defeat inflation.

We have a situation which was referred to by the hon. member who preceded me in that the amount of tax dollars expended by the federal government as compared to those of the provincial and municipal governments has vastly decreased in relation to percentage of over-all expenditures of tax dollars in the country over the past number of years. That means that efforts of restraint by the national government alone can be