

share of its national resources in defence than do Japan or such major regional powers as Brazil and Nigeria.

There is no question that current levels of defence spending could be increased if the government judged it imperative to do so. During the Second World War, defence was the primary activity of the national government and defence spending accounted for well over a quarter of the national product. This brought about a massive expansion of the national economy rather than its ruination, although it did lead to a very severe financial crisis in the immediate Post-War period.

However, defence expenditure has to be fitted in with other national requirements and commitments, and will reflect, in any given period, the country's sense of domestic priorities as well as its perception of the international situation. During the 1960s, defence spending dropped inexorably lower and lower in the scheme of government outlays, as social programmes and transfer payments to the provinces took up increasing shares of the national budget. By 1971-72, defence spending had declined to thirteen percent of the national budget. Today it accounts for less than ten percent.

The present Canadian government is in a very restrictive financial situation. Despite continual efforts to reduce the national debt and budgetary deficits, both remain major preoccupations. Transfer payments, interest payments and fixed costs absorb over seventy percent of the national budget, and efforts to break out of the existing mould are bound to take time if they succeed at all. Persistent constitutional difficulties do not encourage radical changes in financial dealings with the provinces. Recession, inflation, soaring health costs and other pressures add to the restrictiveness of the situation.

The government is making continuing efforts to limit or reduce outlays in those areas it controls directly, that is to say in the field of discretionary spending. But even there, it is limited by contractual arrangements, commitments that cannot simply be set aside, and the power of special interest groups. The approach it adopted in the 1991 federal budget was to impose some overall, across-the-board limits, while attempting to