

were reduced. As Canada enters the 1970s, expenditures related to its people-oriented policies have been growing for two years at rates which maintain established service levels and meet earlier commitments, while the growth of expenditure in other areas of government has been limited to such an extent that real levels of service may have declined.

Meeting the growing costs of these levels of services has altered both the revenue structure of governments and their patterns of borrowing. Perhaps the most remarkable change has been in personal income taxes. Changes in rates and, to a greater extent, the combination of rapidly rising incomes and a progressive rate structure have increased the relative importance of this source of revenue. In 1960-61 personal income taxes accounted for just over 20 per cent of all government revenues. By 1969-70 the proportion has become over 30 per cent. Over the decade they have increased to 40 per cent from 30 per cent of federal revenues, and changes in tax-sharing arrangements have increased their importance as a source of provincial revenues to 22 per cent from 2 per cent. Consumption taxes, on the other hand, even with regular rate increases throughout the period, accounted for roughly 20 per cent of total revenues throughout the period. Both corporation income taxes, with relatively fixed rates, and municipal property taxes, whose rates have increased but whose tax base has no automatic relation to economic growth, have declined relatively.

Government borrowing expanded rapidly with growing expenditures in the mid-sixties, reaching a peak in 1967 and 1968 and then declining rapidly. Within this general pattern, however, dramatic changes were taking place. In particular, provinces and municipalities increasingly drew funds from the Canada and Quebec Pension Plans after 1966 and from foreign as opposed to domestic market issues.

*Current developments: the net position*

The net positions of governments on a national accounts basis, excluding transactions of the Canada and Quebec Pension Plans, changed from a deficit of \$190 million in 1968 to a surplus of about \$1 billion in 1969. The federal government accumulated a surplus of \$600 million, from a deficit of \$165 million in 1968. The net position of provincial and municipal governments moved from near balance to a \$400 million surplus. At the aggregate level, the surplus was mainly the result of a substantial growth in government revenues whereas the rate of growth in public expenditures was restricted to its 1968 level.

Including the operations of the Canada and Quebec Pension Plans, the position of the government sector, on a national accounts basis, showed a change of approximately \$1.3 billion, from a net surplus of \$800 million to one of about \$2.1 billion. Total receipts of the plans from contributions and investments amounted to \$1.1 billion in 1969, an increase of 12.9 per cent over the preceding year. Increases in employment and income per employed person were responsible for this gain. Total benefits paid under these plans in 1969 amounted to \$50 million.