

17.7 per cent in 1966-67. Growth in that year was led by an increase of almost a third in education costs, but all major functions of expenditure increased substantially.

Neither the revenue system nor the capital markets could sustain such rates. While education and welfare grew by a further 25 per cent in 1967-68, and health costs increased by over 15 per cent, the growth of most other areas of expenditure, and particularly the capital-intensive transport and communications sector, was sharply reduced. By 1968-69 the effects of fiscal policies to reduce the growth of public sector demand, limitations on market borrowing, and public reaction to tax increases combined to reduce the growth of spending on health, welfare and education, and maintain the restrictions on other areas. Only public debt charges, reacting to rising interest rates and earlier heavy borrowing, grew substantially faster than in the previous year. This pattern was continued in the 1969-70 spending plans. The spread of provincial medical care insurance plans boosted health spending. However, this largely represented a transfer from private to public spending, rather than a net increase in demand. Salary and wage increases, particularly at the federal and municipal levels, also raised other expenditure growth slightly above the previous year's levels.

TABLE 5  
CONSOLIDATED GOVERNMENT EXPENDITURE  
Federal, Provincial and Municipal Governments

	1960-61	1964-65	1965-66	1966-67	1967-68 <sup>(1)</sup>	1968-69 <sup>(1)</sup>	1969-70 <sup>(1)</sup>
	(Millions of dollars)						
Health.....	984	1,604	1,769	2,119	2,450	2,750	3,300
Social Welfare.....	1,629	2,246	2,385	2,641	3,300	3,700	4,050
Education.....	1,578	2,450	2,615	3,481	4,350	4,900	5,500
Debt Charges.....	817	1,147	1,258	1,355	1,450	1,650	1,850
Defence and Veterans.....	1,830	1,919	1,944	2,056	2,200	2,200	2,250
Transport and Communica- tions.....	1,452	1,772	2,035	2,260	2,300	2,300	2,300
Other.....	2,494	3,298	3,903	4,815	5,300	5,800	6,350
Total.....	10,784	14,435	15,909	18,727	21,350	23,300	25,600
	(percentage annual growth)						
Health.....	11.1	13.0	10.3	19.8	15.6	12.2	20.0
Social Welfare.....	8.2	8.4	6.2	10.7	25.0	12.1	9.5
Education.....	18.6	11.6	6.7	33.1	25.0	12.6	12.2
Debt Charges.....	-1.6	8.8	9.7	7.7	7.0	13.8	12.1
Defence and Veterans.....	-0.3	1.2	1.3	5.8	7.0	—	2.3
Transport and Communica- tions.....	3.6	5.1	14.8	11.1	1.8	—	—
Other.....	14.0	7.2	18.3	23.4	10.1	9.4	9.5
Total.....	8.1	7.6	10.2	17.7	14.0	9.1	9.7

<sup>(1)</sup> Estimated by Department of Finance.

In summary, all sectors of public spending grew in the mid-sixties, but as rapid growth in prices and real demand made it impossible to maintain this pattern, objects of expenditure other than health, welfare and education services were cut back sharply. In the final years of the decade virtually all growth rates