

one third of all the money that the federal government spends goes to the provinces. We should look at the nature of this transfer and the growth of the transfers themselves.

In 1959, the Government of Canada transferred \$0.6 billion, or roughly \$600 million, to the provinces. The figure which appears in the chart that I have, although it has gone up considerably since then, shows that it rose to \$11.8 billion in 1979, which amounted to a 2,000 per cent increase, or 20 times as much. There are all kinds of factors there; but the fact is that the amount of money which was transferred from the federal government to the provinces in that period of time increased by 20 times. If one compares the growth of federal revenues with that of provincial revenues in that period of time, one finds that federal revenues rose from \$5.8 billion to \$43.5 billion, or an increase by seven and a half times. The transfers from the federal government to the provinces tripled, or grew three times as fast as the revenue of the federal government. Therefore, we see a significant shift from the federal government to the provinces. That is very significant when we talk about federal deficits and about the way we organize things in this country.

When the Minister of Finance (Mr. MacEachen) speaks of his concern about the degree of this transfer, of his concern about the amount of money which is going from federal coffers to the provinces, and when he says we must keep this under some control, he is referring to the fact that those transfers have increased at almost three times the rate of the revenue in the federal government.

Let us look at the revenues of the federal government itself and of the provincial governments when we are dealing in terms of these transfers. In 1959, the Government of Canada had received approximately 52 per cent of all revenues in this country. The provinces and the municipalities received 48 per cent, which was very close to half and half. Half the money went to the federal government and half went to the provinces. It was very close.

Let us look at it in 1979, again which reveals the situation. By 1959, the amount of all government revenues had declined from 52 per cent to 33 per cent. It went from one half to one third of all revenues going to governments in this country. The provincial and municipal revenues rose from 48 per cent, again roughly half, to 67 per cent or two thirds. Therefore, we see this tremendous shift. From a point where federal and provincial revenues were almost 50-50, it went to the point where the revenues to the federal government amounted to roughly one third of all government revenues, and the provincial revenues amounted to two thirds.

I am not decrying this situation. There is a lot of logic to it. One of the very substantial reasons that provincial government revenues increased over this period was that we expanded our educational institutions considerably. In the latter part of the period, we expanded our medical and hospital facilities even more. These were two of the very large pieces in the extension of revenue.

It is extremely important that the revenue situation be understood by those who claim the federal government is

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destroying this country because it is taking so much out. In the beginning, I said that I wanted to speak about the two major classifications of expenditures of the federal government, the one being the expenditures on goods and services, or operations of government itself, and the other being the transfer to people in provinces and so on. I dealt with the second one.

I would like to deal with the first one for just a moment because it is important that we take a look at how extensive this is before we condemn government expenditures as being the great crime of our time. Again, I have a chart which illustrates expenditures from about 1953 to 1979. I would like to deal with what is called government expenditures on goods and services; that is, the operation of the government. This chart deals with the government expenditures as a percentage of the gross national product. We see that all government expenditures, as a percentage of gross national product, in current prices, rose from 1953, when it was about 17 per cent or 18 per cent, to approximately 24 per cent by 1978. There was a substantial increase of the portion of the gross national product. What really counts is what governments take away from the economy for goods and services, not transfers. When we break this down, we see quite a different picture if we consider what the federal government's expenditures were in terms of the gross national product, or goods and services. In 1953, the federal government spent approximately 10 per cent of the gross national product on goods and services. I am talking about the post office, national defence spending, the whole business. By 1978, the federal portion had dropped to about 6 per cent of the gross national product. When I look at these figures, I find it hard to believe that the great enemy of the people, our economy, our growth and what makes Canada work is federal government expenditures. That has not increased. It has decreased in terms of the GNP.

● (2150)

Mr. Nystrom: We have to deal with the Liberal Party.

Mr. McRae: I will deal with that on another occasion when I have time.

I would like to go to the second argument that is made basically by the Conservatives. I certainly do not hear it from the NDP. It goes something like this. Inflation is the great evil. Most inflation, and I have heard some people say all inflation, is caused by wasteful government spending. I want to deal with that. I do not have the figures as neatly put together as I would like. They are not available in a neat form.

I would like to deal with a myth. In Canada today credit is extended to Canadians in terms of mortgages, business debt, inventory debt, private debt, industrial debt. It amounts to roughly \$250 billion. I do not know why the members of the NDP are so exercised. I am really making a point on their behalf. In round figures, the debt amounts to about \$250 billion. The increase in government borrowing this year, given the \$6.6 billion plus the \$2 billion from the last authority which was not used, let us say \$9 billion in round figures, is less than 5 per cent of the total amount of credit extended in this country. I do not believe that 5 per cent is the single factor