

was proof positive of an assertion of the federal power during that period of time.

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The purpose of all these programs was to provide for a basic national minimum standard of services across the country, services which would be portable from province to province and would be provided, in the case of health programs and social services available under the Canada Assistance Plan, under terms and conditions specified by the national government. Again this was the national government asserting its will and power. It set the national standards by which all these programs would operate. The effect of these programs in making Canadian citizenship real and important, in so far as it relates to access to social, educational and health services, has been immeasurable. They have also encouraged national economic decisions relating to the mobility of Canadian workers and Canadian capital, making the availability of employment and opportunity for profit rather than the availability of provincially-supplied social and economic infrastructure, the key determinants in such choices.

In short, these programs, which I say are a reflection of the assertion of the national will during that period, have been among the major success stories of the Canadian nation. However, because both constitutional scruples and considerations of administrative efficiencies made it seem wise to the federal government, which initiated these programs, to leave direct financing and day to day administration of them to the provinces, their establishment meant a transfer of money and tax points to that level of government from Ottawa.

The federal government initiated these programs and the provincial governments were asked to carry out the day to day administration. As a result, there were certain transfers of cash and tax points. This was not an unfair bargain. The federal government, which initiated the programs, received full credit for them when they were established. Also the federal government escaped the day to day headaches of administering them, and the negative political disability of labour disputes and controversies over whether services were being adequately or fairly provided were assumed by provincial governments.

The federal government had the option when the programs were instituted and every five years when they were renewed, of making its financial assistance conditional upon provincial adherence to specific program standards. This option was exercised with hospital care, medicare, and the Canada Assistance Plan, but not with equalization or post-secondary education transfers. If the Minister of Finance (Mr. MacEachen) wants to claim that the Diefenbaker and the Pearson governments were wrong to have set up these programs, that they were wrong to provide for an expansion of and a greater degree of equality in the important services provided in these programs, then of course he is acting properly in reducing his obligations under EPF on the grounds of fiscal imbalance. If he wants to claim that the governments of those days were wrong to bring these great national programs into being, of course he is quite right in going ahead with the niggardly approach he is taking today. But I think he will have to go a long way before he finds many Canadians who will agree that

hospital insurance, equalization, the Canada Assistance Plan, aid to post-secondary education or medicare were mistakes.

What happened to the so-called fiscal balance once all these programs were in place across the country in 1971? In 1971 the federal share of revenues after transfers was 38.3 per cent, and in 1981 it was still 38.3 per cent. More significant, on the spending side, the federal share of expenditures after transfers rose dramatically from 37.5 per cent to 42.4 per cent. Compared with ten years ago, the federal share of revenue is unchanged and its share of spending is up 5 per cent. If anyone has cause to be worried about the shift in the fiscal balance in the past decade, I suggest it is the provinces and the municipalities, not Ottawa.

Comparisons are often made between the level of services provided in health and post-secondary education under the cost-sharing arrangements which were in place until 1976-77 and the level of services under the block funding arrangements which came into effect in 1977-78. There can be no doubt that the real spending of these services increased much more rapidly in the first period to which I referred than in the second, but I believe this was due less to the shift from one form of funding to another than to three other factors which are all too often overlooked. The first of these is the simple fact that real growth in the economy was far more rapid between 1971 and 1976 than it was between 1976 and 1981. In the first period real GNP rose by 26.3 per cent; in the second period it rose only by 12.4 per cent. Consequently, both provincial revenue bases and federal transfers tied to GNP were putting less new purchasing power in the hands of provincial governments, unless they opted to increase their own tax rates. That meant that resources to expand services were less plentiful than they were during the previous five year period.

Second, the 1971 to 1976 period coincided with the filling out of the basic health and post-secondary systems in most provinces. This was the period when they undertook to carry out the commitments which they made earlier. New hospitals, colleges and universities were being built, staffed and equipped to accommodate the demand for health services which was really unleashed by the introduction of medicare and rising enrolments as the baby boom generation came out of high schools. Naturally this meant higher growth rates in costs for these services. However, by 1976 enrolments were levelling off and the growth in demand for health services was moderated. Less expansion of existing facilities was needed to accommodate the demand, and growth rates in expenditures could drop off to some extent without services deteriorating.

Finally, the third reason I would mention is that global federal transfers in cash and tax room for all programs affected by revisions to the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977, increased to the real value far less rapidly than they had under previous fiscal arrangements.

Resources were shifted from the Canada Assistance Plan in the 1972 revenue guarantee to the established programs