

Survival in the 1980's: Trudeau

By Brian Topp for Canadian University Press.

Writing for *Cite Libre* in 1957, a sometime labor lawyer outlined an argument which may cost Canadian universities over \$1.5 billion annually, beginning next April.

According to the BNA Act, he wrote, each of the federal and provincial governments is sovereign in its own sphere. It therefore follows that the various governments can spend tax revenues only on programs and services that fall within their own jurisdiction.

"If the federal government has a surplus of funds large enough to give grants to all universities," he continued, "and if it cannot justify its action by claiming that it is an equalization measure (since it gives grants to all universities) or an anti-cyclical measure (since we are in an inflationary period), the government is plainly guilty of infringing the principle of the proportional division of fiscal resources that underlies any federal system."

It has levied for education, which is not within its competence, funds that - had the matter been left to the provinces - might or might not have been used for universities, depending on the wishes of the provincial electorates and their respective governments."

The author of those lines was Pierre Trudeau.

Trudeau was taking exception to grants funneled to universities by the government of Louis St. Laurent totalling, in 1957, only \$16 million.

The stakes are bigger these days; Ottawa directly pours almost two billion dollars a year into post-secondary education, and there are clear signs that Trudeau's government has become distinctly unhappy about its role in university funding.

What Ottawa chooses to do about that unhappiness in the upcoming months will

determine whether or not Canadian universities undergo budget cutbacks which might truly dwarf anything ever inflicted by provincial governments.

Beginnings

Ottawa funneled specific "grants-in-aid" to universities for research long before Louis St. Laurent moved into 24 Sussex Drive. But federal money was generally confined to fields over which Ottawa had at least concurrent jurisdiction with the provinces (such as agriculture and fisheries).

Under St. Laurent, Ottawa began to develop a policy which emphasized expanded higher education as a way to spur economic development. In 1951 the government made direct federal subsidies available to Canadian universities at the rate of fifty cents per capital, funneled through the "National Conference of Canadian Universities (NCCU)." By filtering the money through the NCCU, the federal government was able to claim that its new, relatively low-level spending on post-secondary education did not represent an "encroachment upon the provincial legislatures' exclusive jurisdiction in the field of education," as St. Laurent put it.

Since the NCCU was an association directly uniting universities across the country, and not a very convincing substitute for provincial governments, that argument may have seemed a little thin even to St. Laurent. He felt it incumbent to expand on his government's reasoning for direct federal funding, in any case, and in 1957 argued that Ottawa had a right to give money directly to universities under the precedent of its own previous research grants, and in order to pursue a "national cultural policy."

Quebec Premier Maurice Duplessis considered all of that to be bunk, and insisted that the federal government had no business spending money on post-

secondary education. Nevertheless, federal aid to post-secondary education continued to expand moderately under the Diefenbaker and early Pearson governments, always channeled through the NCCU.

In the 1960's, provinces (led by Jean Lesage's Quebec Liberals) began to demand, in increasingly strident tones, that Ottawa once and for all withdraw from direct involvement in post-secondary education.

The Pearson government had little choice but to comply. It was committed to broadening social services; universal medicare was a high priority, and so was an expanded post-secondary system. Both hospitals and universities are under exclusive provincial jurisdiction, and if Ottawa was to bring about any substantial new reform or expansion in either, cooperation with provinces increasingly jealous of jurisdiction was essential.

Ottawa bowed to the inevitable, and in 1967 abandoned its direct subsidies to universities. The 1967 Fiscal Arrangement Act, the first of a series of federal-provincial agreements, provided that Ottawa would turn its subsidies for social programs, including post-secondary education, to the provinces for use in provincially administered programs.

Current Arrangements

The federal-provincial transfer arrangement currently in force is styled the "Established Program Financing" (EPF) agreement. The EPF was implemented after considerable haggling in 1977, and is set to expire next April.

EPF maintains the essential outlines of its predecessor; the federal government agrees to reduce its taxes by a set amount, and the provinces increase their own by the same amount, thus carrying out a transfer of "tax room" without increasing the overall tax burden on the economy. In addition, Ottawa agrees to transfer cash

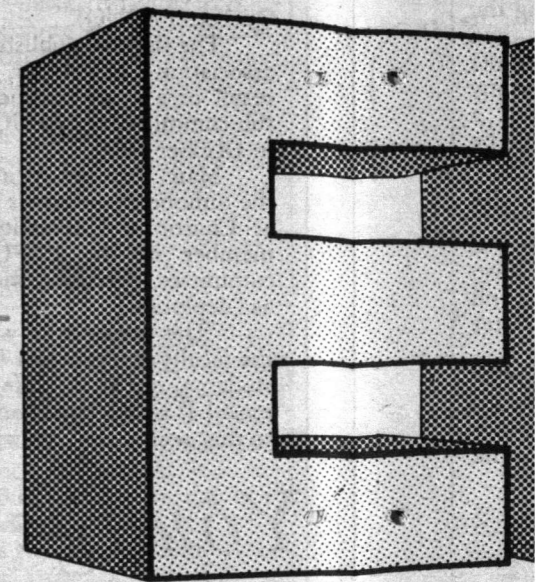
payments in set amounts to the provinces each year.

The provinces in turn agree in principle to use the money from their new revenue base for the intended purpose. About \$1.6 billion transferred under EPF in 1980 was intended for post-secondary education.

Two important features distinguish EPF from its predecessors. First, the amount of federal subsidy is calculated on a per capita basis, following a formula that

isn't tied to how much a province chooses to spend on post-secondary education. Second, longer demand audits that are published in the federal role

published in the federal role



Established

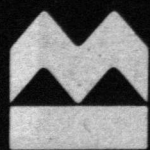
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