
CHAPTER 11

THE PERSONAL TRANSFER SYSTEM

If Robin Hood were alive today, he might very well applaud the operation of Canada's extensive system of transfers of money from government to individuals and from governments to other governments; or he might be shocked by just how far the system has gone.¹ Transfers from the federal government to individuals and provincial and local governments comprise over 58 per cent of total federal revenues. In some dependent provinces, these transfers make up over 49 per cent of total government revenue and almost 20 per cent of personal income.²

Transfers are integral components of the sharing of Canada's prosperity. They guarantee certain minimum standards of living, protect the welfare of all Canadians, and afford all provinces the ability to provide reasonable levels of services to their citizens. We are not concerned with whether transfers should continue. However, we are concerned with the form and extent of the transfers and, in particular, with their effects on the Canadian market system and hence regional development. In taking from the rich to give to the poor, Robin Hood had relatively little concern for the long term effects of his transfers on recipients and donors. We cannot afford his blessed single-mindedness.

Transfers represent significant means to improve living standards and other conditions in the less developed regions and hence can improve their development prospects. However, to the extent that transfers distort the functioning of natural economic adjustment mechanisms, they can also hinder development and lead to inappropriate social and economic policy decisions. The objective should be to retain those properties that facilitate development and efficiently implement social and other programs, while purging the system of those that block normal economic growth.

This report does not consider the transfer system from the same perspective or in the same detail as that of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements. We commend their report to the

¹ This analogy was well employed in W. Irwin Gillespie, *In Search of Robin Hood: The Effect of Federal Budgetary Policies During the 1970s on the Distribution of Income in Canada* (C.D. Howe Research Institute, 1978).

² For the two northern territories this figure reaches as much as 83 per cent. These figures apply to 1979.