

GROWTH OF FEDERAL SPENDING SINCE 1960

The nature and size of the financial difficulties that this Government began to face in June last year can best be appreciated by a study of federal spending levels over the past ten years. Between 1960 and now, total federal spending nearly doubled in dollar terms as it rose from \$6 billion to \$11 billion. Even taking into account rises in price, because governments are victims of inflation too, the rapid increase in spending-levels in some of the major sectors is astonishing:

Spending on general government services has more than doubled since 1960.

Spending on foreign affairs has doubled.

Spending on economic development has tripled.

Spending on health and welfare has almost doubled.

The federal share of the cost of post-secondary education has multiplied about 16 times since 1960.

OUTLOOK TO 1975 IF NO CHANGES ARE MADE

Suppose government revenue from current taxation levels were to rise in the next five years roughly at the same rate as the expected rise of the gross national product. Suppose also that no changes of any kind were made in the existing programs. Spending would very quickly outpace revenue. We should be on the road to financial disaster if nothing were done to bring spending under control:

Spending on *just the general government services that exist now* would go up another 50 per cent by 1975.

Spending on foreign affairs would double again in five years.

Spending on economic development would more than double again.

Spending on health and welfare would go from \$2.4 billion to \$4.3 billion.

The federal share of post-secondary education costs would quadruple.

Total spending by the Federal Government would go up to nearly \$17.5 billion in 1974-75; but revenues would go up to about \$15.75 billion — leaving a deficit that year of \$1.75 billion or a cumulative deficit over the next five years of \$7.5 billion. And I should add that these forecasts are in today's dollars, 1969 dollars, and do not reflect any additional increases that continued inflation would bring. And it should be repeated that this would result simply from a continuation of the existing programs. Any new programs — say in the area of pollution or regional economic expansion — would be over and above the spending levels I've mentioned.

WHAT CAN THE FEDERAL GOVERNMENT DO

Clearly, something must be done, and done at once; but in tackling this problem, we must realise that one of the realities of the federal form of government is the fact that there are two kinds of expenditures for which the Federal Government must budget.

First, there are the expenditures for which the Central or Federal Government has direct responsibility and therefore the direct ability to cancel or reduce or freeze or increase. These include such items as foreign affairs, defence, general government services and the like.

Second, there are the federal expenditures made — one way or another — to the provinces. These include equalization payments, shared-cost programs like hospital services, the Canada Assistance Plan, medicare, the operating costs of post-secondary education. They are the Federal Government expenditures for which the Federal Government does not have direct responsibility as to their annual magnitude. They are also the most rapidly increasing parts of the Federal Government's total spending program.

Under these circumstances, it is obvious that the provinces have to do their share in the fight against inflation even for the purposes of federal budgeting.

WHAT THE FEDERAL GOVERNMENT IS DOING

We are announcing today the set of expenditure guide-lines that have been agreed to in advance of the preparation of the 1970-1971 estimates. These guide-lines were designed primarily to introduce new efficiencies in government service, but they will also help to contain inflationary pressure by limiting or "capping" government spending-levels. At the same



United Press International Photo
Prime Minister Trudeau uses a graph to explain budgetary expenditures.