

*Income Tax*

I should like to illustrate the immense impact such programs have had on the growth pattern of federal spending over the past several years. For example, I should like to place before the House three functional areas which have accounted for over 60 per cent of the increases in spending in the last seven years. Between fiscal year 1970-71 and the fiscal year we will complete on March 31, 1978, roughly 33 per cent of the total increase in government spending has come from health and welfare functions of the government. I want to stress that encompasses more than the programs administered by the Department of National Health and Welfare and includes programs for our native people, the Indians, the Eskimos, as well as some urban programs. That objective absorbed approximately one-third, or 33 per cent, of the increase during that time. About 13.5 per cent of the increase over those years has come from the increased cost of the servicing of the public debt.

Economic development and support programs through the Department of Agriculture, the Department of Fisheries and the Environment, the Department of Energy, Mines and Resources, the Department of Industry, Trade and Commerce and DREE accounted for some 12.5 per cent of our increase in spending.

When you consider that there are literally hundreds of programs competing for very limited resources, several things, in my opinion, become very clear. First, the government has apportioned the largest single amount of new resources over recent years to those programs which benefit the individual. Second, the cost of meeting many of our programs has been greater than the growth rate of government revenues. As a result, the government has had to borrow relatively large sums of money and consequently apportion more of its annual income to interest payments.

Third, the growth of investment in economic development, while it is significant, is as low as we can go if we want to maintain a competitive position and play the part of an advanced industrial nation, and if we want to live like citizens of a major world economic power which befits the sixth largest economy in the western world.

To find the course of action of government expenditures, which simultaneously funds the established social requirements and meets the complex economic needs, is not an easy task. First, we must reassess each and every program expenditure to determine how effectively it meets its objective. Second, we must ask ourselves quite candidly if the objective still has a high enough relative priority to justify the resources we have allocated to it. In each of the past few years, such reviews have been undertaken.

● (1622)

Many projects have been modified or cut back. Some have been eliminated to free resources to meet greater needs. Within the area of my own responsibilities, the officials of the Treasury Board secretariat have aided and advised the departments on what is, admittedly, a very difficult exercise; but I will say that without the co-operation of my cabinet colleagues

[Mr. Andras.]

and their deputy heads, this restraint would still not have been possible. They are recognizing the need to re-examine programs and to take the steps necessary to ensure that expenditures, both in quantity and in purpose, are only those which will best serve the needs of the country over the next few years. That re-examination of programs and that evaluation of policies is a continuing requirement.

There are not, and there never will be, enough resources to meet all the demands, even legitimate, meritorious demands, even in this still rich and affluent country. We simply have to balance the continuing needs of all sectors of our society with the achievement of stable economic growth very carefully, because in the final analysis our ability to bear the costs of all our programs is dependent upon our economic health.

One way to achieve this balance—and I presume this will be a subject of stimulating debate over the next month and year—would be to fine-tune the delivery of programs in order to channel income redistribution more precisely to those in need and to ensure that redistribution does not conflict with the objective of increasing the productivity and output of the nation. Indeed, an expenditure pattern and a growth rate which is sustainable, while meeting the needs of the country and all its people, has to be chosen. In my view, this means that we must always seek to rationalize existing programs which are directed to target populations—the sick, the aged, the unemployed and the needy—to ensure that within the limited resources available the most important needs are adequately being met.

I have no illusions that the actions I am proposing for the future will be simple. I think we are all aware that the programs responsible for the largest government expenditure growth are those which affect individual Canadians in the most direct and obvious manner, and everyone is naturally reluctant to support reductions in programs from which he or she benefits directly, no matter how justifiable such reductions may be. Obviously, most of these same programs will require discussion and legislative amendments over the years before any expenditure savings can be realized. With our present pattern of spending—brought about by legislated statutory programs, contractual arrangements with the provinces and other firm commitments—there is a minimum of discretionary room for the government to meet the changing social and economic needs of the country.

The future requirements of the economy in the fields of energy, transportation, primary industry and many other sectors may require the assistance and co-operation of the government and the private sector. Indeed, I do not think those potentially large expenditures by the government in these areas can be met by simply increasing the rate of growth of federal government expenditures, unless we are prepared to accept a burden of taxation which I think would be intolerable. Among other things, for the government to respond in the future to anticipated changes in the national and international scene without unacceptable levels of spending, we are obviously going to require much more flexibility in our spending patterns than we now have.