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# how YOUR tax dollar is spent

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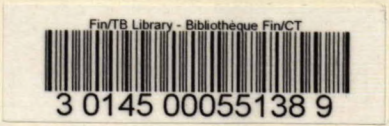


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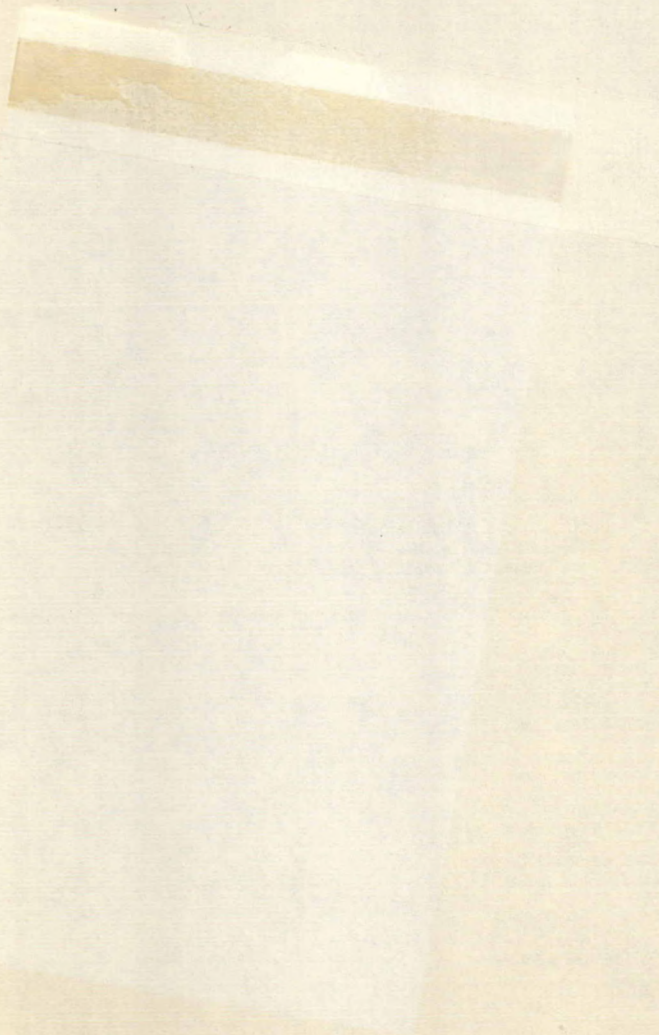
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1971/72



how  
**YOUR**  
tax dollar  
is spent



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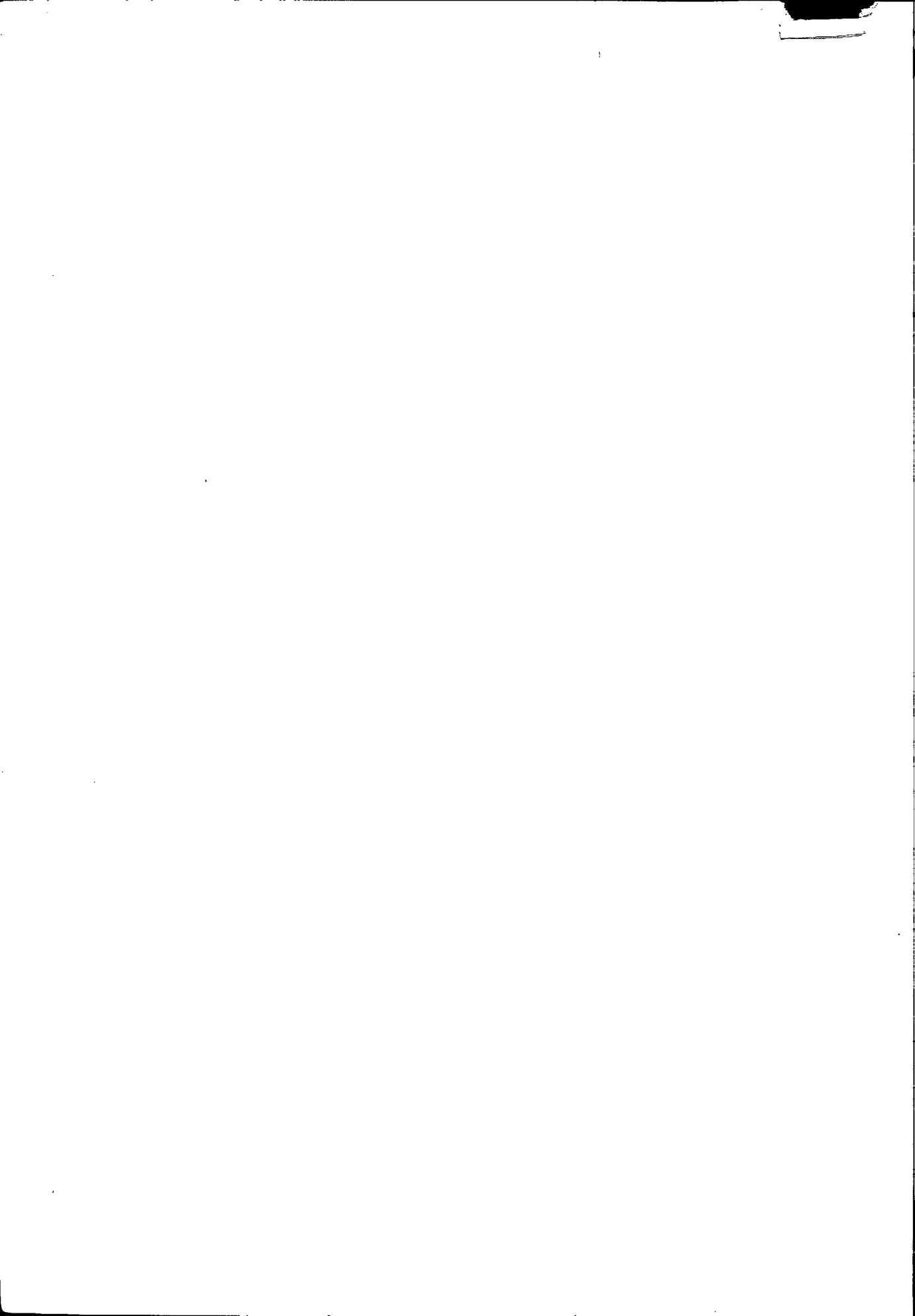
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Ottawa, 1971

A Taxpayer's Introduction to the  
Spending Plans of the Government of  
Canada for the Fiscal Year Beginning  
April 1, 1971

**how  
YOUR  
tax dollar  
is spent**



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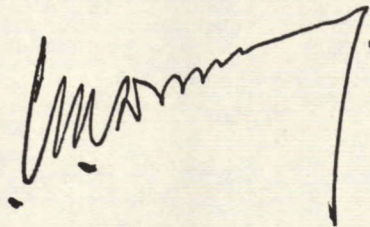
## introduction

Under our Parliamentary system the Government of Canada is required each year to prepare for Parliament and the people of Canada a detailed outline of how it proposes to spend the money it will be collecting from the taxpayers of the country.

The preparation of this spending program is a long and complex business. Behind the figures lie months of planning and policymaking involving fundamental decisions on what services to provide, and on which programs take precedence among the many demands made on the government.

These government decisions are set forth in the Estimates presented to Parliament for its approval each February. It is then for Parliament to decide whether to vote the funds.

With this publication the Government is attempting to explain what is involved in deciding how your money is to be spent in the fiscal year beginning April 1, 1971. I hope you will find it informative.

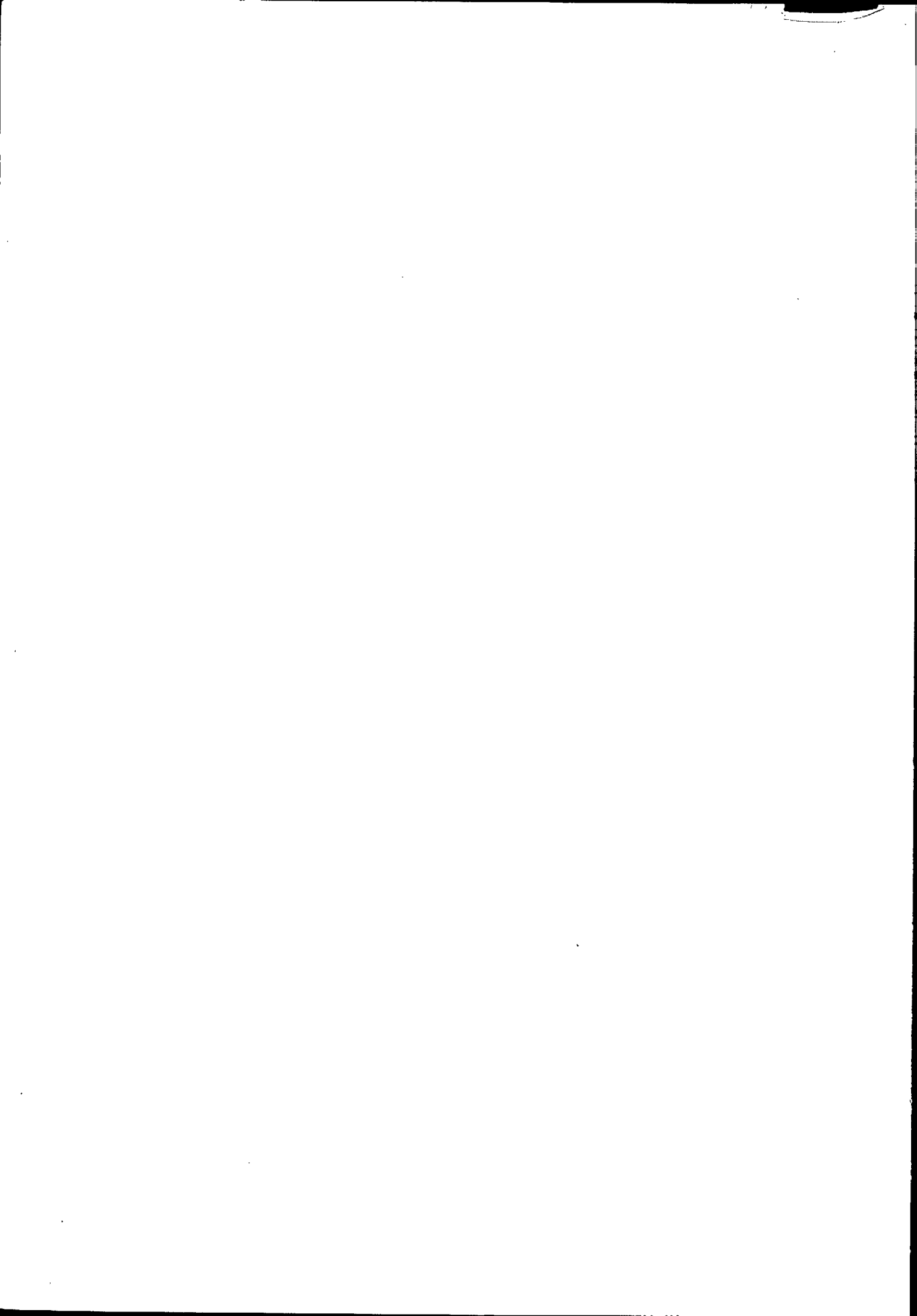
A handwritten signature in black ink, appearing to read 'C. M. Drury', with a long, sweeping horizontal stroke extending to the right.

HON. C. M. DRURY

*President of the  
Treasury Board.*

February 1971  
Ottawa







In February of each year the Government of Canada presents to Parliament a thick document bound in a plain blue cover known familiarly as "The Blue Book."

Officially, it is the Estimates, or an outline of the government's spending plans for the coming fiscal year beginning April 1.

Packed with statistical tables, charts and explanatory notes, the Blue Book is not your everyday light reading. It won't be found on many bedside tables. But its contents, when translated into action by the government, affect every person in Canada, in varying ways and varying degrees, both directly and indirectly.

For your family it may be in the form of a family allowance cheque, or the enjoyment of a national park. For the aged or disabled it may be a pension cheque. For the farmer, new agricultural techniques developed through federal research. For the family breadwinner a new job or a re-training course that leads to better pay. For the community a handsome public building or a new sewage treatment plant.

It may be in the form of direct payments to you, or to an institution, or in the form of money transferred to

your Provincial government which will spend it on programs for your benefit, such as hospital and medical care.

The Blue Book for the fiscal year April 1, 1971—March 31, 1972 forecasts a budgetary expenditure of more than \$14 billion—\$14,352 million to be exact. That works out to approximately \$660 in Federal spending for every Canadian.

That's only part of the government's spending story. There are other major programs operated out of funds which are not included in the Estimates, such as Old Age Security and Unemployment Insurance, and the loans and advances the government makes in the fields of housing and transportation.

It takes more than a year to prepare the government's spending program. The process of compiling the Main Estimates for the fiscal year April 1, 1971—March 31, 1972 actually began in January, 1970, when Cabinet Ministers began a series of meetings to discuss what general policy considerations should guide the overall spending program.

As these meetings were taking place Canada had just completed a decade of expansion. In the 1960's the Federal

## the process begins

government moved in many directions to assist economic growth and improve living standards. New housing, new social developments in the field of pensions, medical and hospital care.

But as Canada moved into the 1970's the government faced new challenges. New social issues. Challenges of the environment. More complex economic questions.

In these discussions Ministers considered certain basic facts. One of the more basic was that while Canada as a whole enjoys one of the world's highest standards of living, many Canadians were finding it difficult to get by. Poverty, unemployment, inadequate skills and lack of opportunity were still major problems. Inflation had also become a problem at the close of the 1960's, particularly for people on fixed incomes.

Regional disparity is another basic fact in Canadian life. Canada is a country of regions and some regions are better off than others. Some provinces, such as Ontario, Alberta and British Columbia, are particularly well endowed with natural resources and industry and are well located to serve markets in Canada and abroad. Consequently, people generally have better job opportunities in these regions, and they enjoy a better standard of living.

The Federal government has for some years been attempting to narrow this gap between rich and poor provinces and since 1968 has intensified these efforts.

A significant shift in population in recent years is yet another basic fact that has a bearing on the government's thinking. The movement of people from farms and small towns to cities and large towns has introduced a whole new set of spending priorities more oriented to urban life.

The role of the younger generation in Canadian society today is another important fact considered by the policy makers. In 1972 there will be 300,000 more Canadians in their 20's than there were in 1970. This younger generation, as it prepares to accept responsibility and leadership, has its own priorities. New employment opportunities, more emphasis on the environment, new cultural and recreational programs.

As Canadians generally become more conscious of their environment they want cleaner water, cleaner air and more pleasant and efficient cities in which to live.

The complex questions of national unity and national identity, embracing bilingualism, the review of the constitution and economic and political sovereignty are also among the major concerns of the 1970's.

Then there is the continuing need for policies and programs to assist the growth of the Canadian economy as a whole.

A re-evaluation of Canada's foreign policies and defence interests, in the light of changing international relationships, resulted in new programs of foreign aid and a new pattern of military spending, and these are reflected in the decisions that helped shape the government's expenditure program for 1971-72.

Once it had taken a reading of Canada, and its relationships with the rest of the world, the Cabinet was ready to consider what areas should receive particular attention in the government's future spending program.

The intricate process of deciding where your tax dollar should go had begun.



Before it decides how to allocate your dollars, the government must determine how big its total spending program should be. It is no easy matter to arrive at a total, such as the \$14,352 million the government has proposed to Parliament for 1971-72. More than a year ahead, a forecast is made of the state of the economy. Revenues must then be estimated to see how much will be available to spend. The government, on the advice of the Minister of Finance, must decide whether to run a budget surplus or deficit in order to keep the economy on a steady course. Possible tax increases or tax cuts must be considered for their effects on revenues and on the economy. Financial markets must be assessed to see if they can readily handle what the government will need to borrow. The cost of existing programs must be predicted and new ones must be measured to fit the resources available. The government's new spending priorities must be woven into the package. Each factor affects all the others, and even when the decisions are taken, they must be re-examined from time to time in case conditions or forecasts have changed.

The government's spending program is made possible through your personal income taxes and through general sales taxes on things you buy for your home or for your personal use. You also con-

tribute through special taxes on such items as cigarettes, liquor, television sets, jewellery and perfumes.

All corporations such as manufacturers, wholesalers, retail stores and insurance firms pay corporation taxes on the profits they earn serving Canadians. Small business contributes too—right down to the corner grocer.

Another source of dollars is the duty paid to the Federal government on goods imported into Canada.

The government also earns revenues on its investments such as its loans for housing, loans to provinces, and loans to Crown Corporations such as Air Canada.

With the government's priorities and spending guidelines now determined by Cabinet, Treasury Board, the committee of Ministers which prepares the detailed spending program for Cabinet, began early in 1970 the difficult process of dividing the dollar to be spent in 1971-72.

Like the homeowner, the Government of Canada has built-in expenses which have to be paid. The homeowner has his mortgage payment, taxes, heat, water, light. Then there's the family upkeep. The groceries, clothing, medical bills, insurance. And the monthly

## **decisions, decisions**

car payments. By the time he's paid all these bills there's not a lot left of the pay cheque to buy anything new for the house or the family.

It's the same with the government. It has built-in costs and obligations that it must meet, and the financial load tends, like yours, to get bigger every

year. To illustrate, for the fiscal year 1961-62 the government spent \$6,521 million. The forecast expenditure of \$14,352 million for 1971-72 is more than double that of ten years ago. And of this \$14,352 million, half will be on programs to which the government is firmly committed by Parliamentary statute, as seen in the following table.

#### STATUTORY EXPENDITURES = HALF THE SPENDING

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)	Increase (Decrease)
<b>Health and Welfare</b>			
Health Resources Fund	37.0	37.0	—
Hospital Insurance	730.0	811.6	81.6
Medicare	400.0	550.0	150.0
Family & Youth Allowances	616.5	618.3	1.8
Blind Persons Allowances	1.8	1.7	(.1)
Disabled Persons Allowances	3.8	3.5	(.3)
Canada Assistance Plan	389.2	437.0	47.8
Contribution to Unemployment Insurance Fund	103.0	110.0	7.0
	<b>2,281.3</b>	<b>2,569.1</b>	<b>287.8</b>
<b>Economic Development and Support</b>			
Crop Insurance*	4.7	8.8	4.1
Carrying Costs, Temporary Wheat Reserves and Advance Grain Payments*	76.8	56.1	(20.7)
Minto Coal Fields	4.0	4.0	—
Gold Mining Assistance	14.7	14.5	(.2)
General Incentives to Industry	30.0	31.0	1.0
Guaranteed Loans	.6	.6	—
Payments to Cape Breton Development Corporation	15.6	12.5	(3.1)
	<b>146.4</b>	<b>127.5</b>	<b>(18.9)</b>
<b>Public Debt</b>			
Interest on Public Debt	<b>1,868.8</b>	<b>1,994.7</b>	<b>125.9</b>
<b>Defence</b>			
Military Pensions	<b>224.2</b>	<b>191.4</b>	<b>(32.8)</b>
<b>Fiscal Transfer Payments</b>			
Fiscal Transfer Payments to Provinces	1,004.0	1,135.6	131.6
Payments to Quebec, Established Programs	163.1	164.5	1.4
	<b>1,167.1</b>	<b>1,300.1</b>	<b>133.0</b>
<b>Internal Overhead Expenses</b>			
Government Employee Compensation	4.1	3.9	(.2)
Contributions to Public Service, Canada & Quebec Pension Plans	273.5	272.6	(.9)
	<b>277.6</b>	<b>276.5</b>	<b>(1.1)</b>

\*The Total Expenditures on these Programs appear on page 22.

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)	Increase (Decrease)
<b>Transportation and Communications</b>			
Railway Subsidies	68.0	54.0	(14.0)
Atlantic Region Freight Assistance	4.5	8.7	4.2
Trans-Canada Highway	22.8	5.4	(17.4)
	<b>95.3</b>	<b>68.1</b>	<b>(27.2)</b>
<b>General Government Services</b>			
Judges' Salaries and Pensions	15.5	15.8	.3
Senators & Members of Parliament	9.1	8.4	(.7)
Representation Commissioner	.1	.2	.1
RCMP Pensions	30.3	31.1	.8
Expenses of Elections	1.0	.9	(.1)
	<b>56.0</b>	<b>56.4</b>	<b>.4</b>
<b>Education Assistance</b>			
Post-Secondary Education Support Payments	377.0	462.8	85.8
Interest on Student Loans	22.9	29.7	6.8
	<b>399.9</b>	<b>492.5</b>	<b>92.6</b>
<b>Culture and Recreation</b>			
Fitness & Amateur Sport Payments	4.6	6.2	1.6
<b>Total</b>	<b>6,521.2</b>	<b>7,082.5</b>	<b>561.3</b>

Most of this so-called statutory spending is in the area of Health and Welfare. For example, under the Hospital Insurance and Diagnostic Services Act of 1957 the Federal government shares with the provinces the cost of providing certain hospital services to Canadians. If you go to the hospital your bill will probably be paid by a provincial hospital insurance plan. But half the cost is borne by the Federal government.

In 1971-72 the Federal government's contribution to Hospital Insurance is estimated at \$1,148 million, including \$336 million in tax compensation to Quebec.

Another example is the Medical Care Act, introduced in 1966. Across the country the Federal government pays half the cost of insured medical services provided through Provincial Medicare plans.

Medicare in 1971-72 is estimated to cost the Federal government \$550 million.

Then there is a further \$682 million in cash and in tax compensation assigned to the provinces as the Federal government's 50 per cent share in the Canada Assistance Plan and related programs—the major source of welfare payments to people in need.

An additional \$618 million has been earmarked by the Federal government for family and youth allowances paid directly to families with children.

Another major bill the government must pay is the interest charges on the Public Debt, which now stands at more than \$38 billion. Interest payments on that debt will cost just under \$2 billion in 1971-72.

Approximately one-third of the public Debt—about \$13 billion—was accumulated during the Second World War through the sale of Victory Bonds and War Savings Certificates and other borrowings. Subsequently, the government borrowed billions of dollars to invest in housing and other worthwhile

projects. Most government borrowing is in the financial markets, through the issue of bonds and treasury bills. The Federal government also borrows directly from the public, largely through Canada Savings Bonds.

While the accumulated debt may appear large it is easier to manage than in previous years. At the present time it is a smaller proportion of the total output of our economy than it was a decade ago.

Another major built-in cost in the spending program is money the Federal government distributes among the

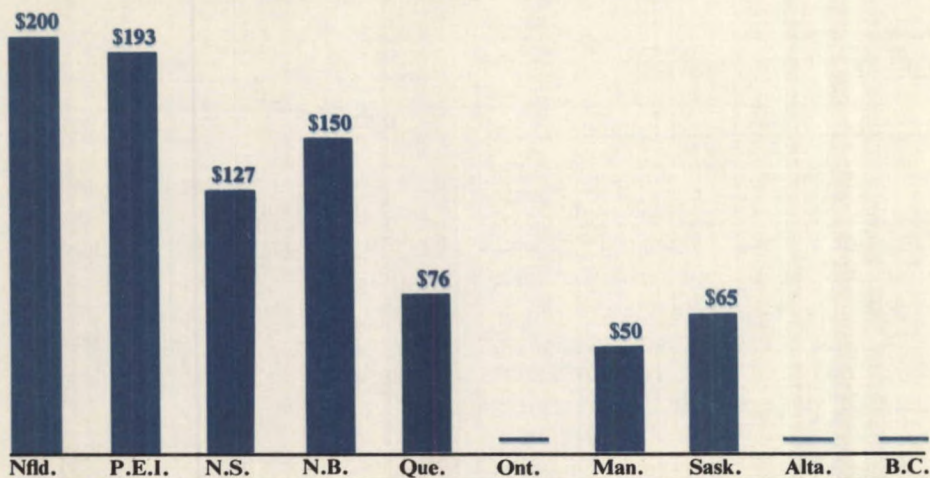
provinces to help equalize the public services they provide to the people of Canada, such as highways, education, health and welfare and recreation. In 1971-72 these payments will total an estimated \$1,300 million.

Most of the Federal money paid out in equalization grants comes from the three richest provinces—Ontario, Alberta and British Columbia. Quebec receives the largest amount of equalization grants, but on a per capita basis smaller and lower-income provinces, such as Newfoundland or New Brunswick receive more.

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**EQUALIZATION 1971-72 PER CAPITA VALUE**

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The equalization grants, of course, are only part of the total Federal payment to the provinces. Besides the major health and welfare programs the Federal government contributes half the operating costs of post-secondary education in the provinces—involving an estimated \$463 million in cash for the provinces in 1971-72, and an additional \$378 million reduction of Federal taxes in favor of provincial levies.

Faced with these financial responsibilities the government is really free in the short run to adjust only half of its spending budget. And even here the opportunity for shifting the use of its resources is limited. The family man

can raise or lower his grocery bill but he can never eliminate it. The Federal government is in the same position. Over the years it has built up a wide range of public services which are an integral part of our daily lives. To change programs drastically may therefore take several years.

By February, 1970, the various government departments had submitted to the Treasury Board their own first calculations of their financial requirements for the 1971-72 fiscal year, as well as for the following three years. The staff of the Treasury Board then drew together the total proposed spending program.

Implementing government policy through departmental programs is a complicated matter today. The system was fairly simple when government was smaller and its responsibilities were fewer. But today the lines of responsibility are not so easy to distinguish. One department's program may directly affect another's, or several departments may have programs serving the same group of Canadians. Their plans must be harmonized to avoid wasted effort and wasted spending.

This resulted in a government decision to examine in a broader way just how it should develop its programs, and led to the adoption in 1968 of a technique known as Planning Programming and Budgeting.

Under the PPB system, rather than looking at the proposals of a particular department the government looks to its objectives first and then to all of the proposals to meet these objectives, no matter which department they come from. Then it selects those proposals that will best achieve its objectives.

It was within this framework that the Treasury Board assembled the Main Estimates for presentation to the Cabinet in the summer of 1970.

In the months that followed various programs were reviewed in the light of changing circumstances. Early in 1970 the government was dealing with inflation and kept a firm ceiling on 1971-72 spending plans. By Fall, as the pressures of inflation were being reduced, the government was able to shift its concern to unemployment. New economic programs were introduced in October and December to help relieve unemployment and to re-stimulate the economy. Necessarily, these moves called for an increase in government spending.

The government decided that some of this spending that flowed from these policy changes should be added to pro-

grams for the current fiscal year, that is, 1970-71.

Such expenditures—even a 1% change from the Estimates equals \$140 million—and spending that results from changes in policy must be presented to Parliament for approval in the form of Supplementary Estimates. This procedure is implemented two or three times a year.

As noted earlier, the Main Estimates do not represent the whole of the spending program. The complete spending plan also includes such financial operations as the Canada Pension Plan, the Unemployment Insurance Fund and government loans and investments. Workers and employers in all provinces, except in Quebec which has a comparable plan of its own, contribute to the Federally-administered Canada Pension Plan which provides a measure of financial security when they are old or become disabled. This pension plan complements the Old Age Security program, under which all Canadians over 65 receive an \$80 a month pension and can also qualify for a pension supplement. Old Age Security will cost an estimated \$2.2 billion in 1971-72. A major new thrust in the program in 1971 is a \$190 million increase in funds for the Guaranteed Income Supplement for pensioners with little or no outside income. The basic level of pension plus the Guaranteed Income Supplement for persons over 65 will increase from a maximum of \$111 to \$135 a month for individuals and from \$222 to \$255 a month for couples, starting April 1.

Unemployment insurance benefits, also financed largely by contributions from employers and employees, will amount to an estimated \$750 million. Benefits were increased by 10 per cent in January, and a government White Paper has proposed that the maximum benefit be raised from \$53 to \$100 a week, starting in July.



In the field of government investment, a loan in excess of \$760 million is proposed for Central Mortgage and Housing Corporation, the government's agent in the housing field. Along with the resources it earns from mortgage re-payments, C.M.H.C. will be enabled to lend close to \$1 billion for housing.

These monies will be used to carry out C.M.H.C.'s various activities such as public housing, mortgages for new homeowners and the financing of sewage treatment plants.

Atomic Energy of Canada Limited, the government's agent in the field of nuclear power production, will receive loans of about \$125 million for nuclear power projects and for other power schemes such as the Nelson River high-voltage transmission line in Manitoba. A further \$172 million is designated for loans to developing countries through the Canadian International Development Agency. Canadian National Railways and Air Canada will also receive large loans, as they have in the past.

As the winter of 1970 approached, the processing of the Main Estimates reached its climax. Ministers of the

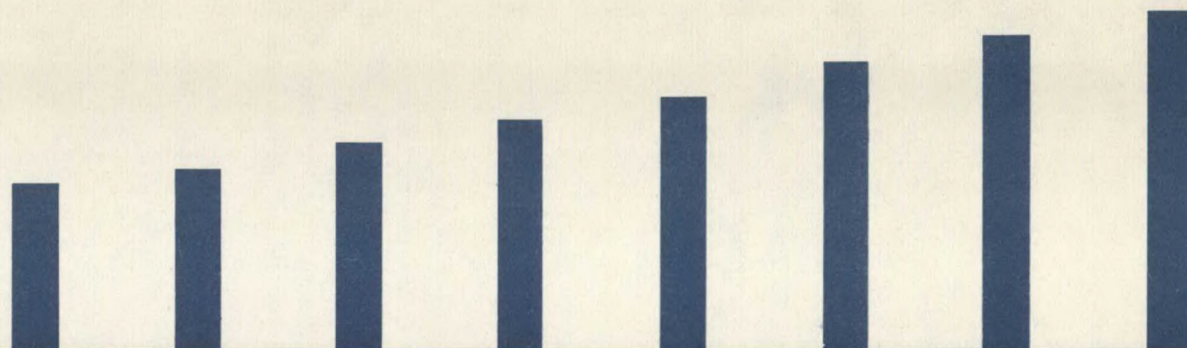
Treasury Board weighed departmental programs against government priorities. They reviewed the effectiveness of certain programs and determined the amount of money available for new and improved ones.

Finally, Cabinet gave its approval to the proposed spending program. The printing of the Blue Book was ordered, and the government prepared to present its program to Parliament for approval.

This is when your Member of Parliament takes over in the House of Commons. M.P.s review the proposed spending program, both in the House and in committee. Ministers are called upon to explain the various programs within their departments, and to justify the proposed expenditures. Once this examination has been completed the government asks M.P.s to approve the 1971-72 expenditure plan by way of an Appropriation Act. An Appropriation Act, when approved by the House of Commons and the Senate, is given Royal Assent and becomes law.

Your tax dollar is now officially divided.

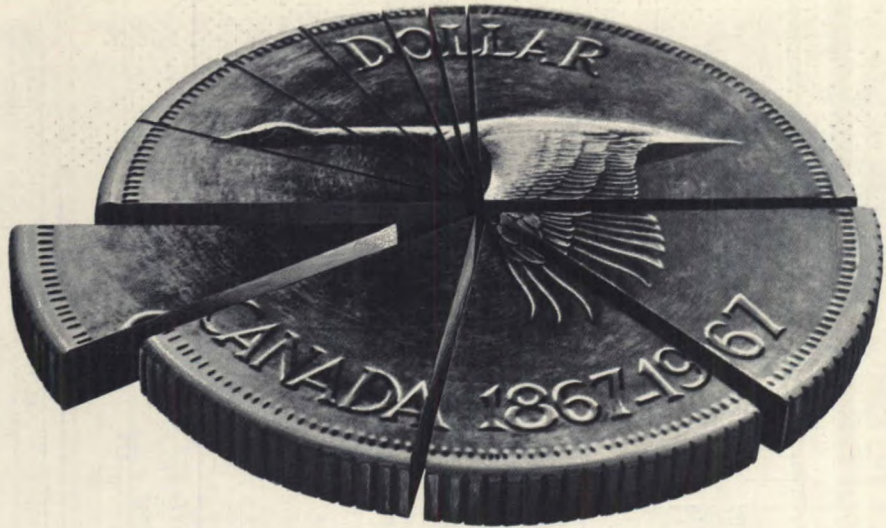
**THE SPENDING PROGRAM—PAST, PRESENT AND FUTURE<sup>1</sup>**



Function	(\$ millions)							Forecast 1970-71	Proposed 1971-72
	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70			
Health and Welfare	1,824	1,786	1,994	2,154	2,384	2,734	3,203	3,547	
Economic Development and Support	805	975	1,205	1,473	1,527	1,777	1,944	2,017	
Public Debt	1,051	1,111	1,191	1,301	1,480	1,717	1,869	1,995	
Defence	1,550	1,556	1,651	1,760	1,762	1,792	1,828	1,825	
Fiscal Transfer Payments to Provinces	358	466	515	738	867	932	1,167	1,300	
Transportation and Communications	763	839	941	1,018	932	893	965	1,006	
Internal Overhead Expenses	272	322	391	439	644	640	764	828	
General Government Services	267	325	372	378	413	508	604	667	
Education Assistance	28	29	90	114	287	315	454	572	
Culture and Recreation	169	174	218	280	244	258	265	298	
Foreign Affairs	131	152	230	217	227	243	287	297	
<b>Totals</b>	<b>7,218</b>	<b>7,735</b>	<b>8,798</b>	<b>9,872</b>	<b>10,767</b>	<b>11,809<sup>2</sup></b>	<b>13,350</b>	<b>14,352</b>	

<sup>1</sup> Present account classification system extends back only to 1964-65. Data for the years 1964-65 to 1969-70 are taken from the Public Accounts of Canada.

<sup>2</sup> Does not include Expo write off of \$122.9 million.



## the dollar divided

The average Canadian is a man of many parts to the government when it comes to dividing his dollar. He is old or young. Employed or unemployed. Rich or poor. City dweller or farmer. From the Atlantic provinces, Quebec, Ontario or the West.

As needs change, as new social or economic problems emerge, the concerns of some are more pressing at times than the concerns of others. And the dilemma facing the government is to devise the right formula for dividing the dollar that will be in the best interests of all Canadians and Canada as a whole.

In dividing the dollar for 1971-72 the government has introduced into the spending program a series of new initiatives designed to meet those objectives agreed upon by the Cabinet when it was developing its expenditure plans for the year. In the area of social policy, for example, the government has chosen to emphasize its assistance to old people on low incomes, to veterans, to those who are temporarily out of work, and to the Indian and Eskimo peoples.

In the economic field there are new thrusts through such programs as increased occupational training for adults and regional economic expan-

sion, with a view to increasing individual opportunity and further alleviating the pressures and tensions created by regional disparity.

Increased expenditures for the resource and economic development of northern Canada, coupled with programs of increased housing and education for northern residents, reflect the government's interest in the frontier regions.

The continued growth of the cultural institutions and recreational facilities which contribute so much to the quality of life in Canada is another major concern of the government for the coming fiscal year.

Yet another area of prime concern in 1971-72 is foreign aid. Here the government, in addition to its program of development grants and food aid is expanding its lending activities through such agencies as the Canadian International Development Agency, and the International Development Association.

The government does not necessarily have to spend vast sums of money in order to meet its policy objectives. Some may be achieved through the better planning and co-ordination of related programs, such as is contemplated in the new Ministry concerned with urban affairs and housing or the

new Department of the Environment dealing with pollution problems. Or it may be achieved by a new piece of controlling legislation, such as the recent Arctic Waters Pollution Prevention Act, designed to attain the objective of better environmental control. Sometimes resources can be put to better use without substantially raising the overall cost of a program. The government has proposed in a White Paper, for example, that the Family Allowance scheme be replaced in September, 1971, by a new Family Income Security Plan that will pay 2½ times as much to low-income families. To meet the cost of this new program allowances would be reduced or eliminated for higher-income families and the allowances would no longer be tax exempt.

There are two ways to look at the overall spending program—one by department and the other by the objectives or functions being served. The Blue Book necessarily sets out amounts for each of the 80-odd Federal departments and agencies, for traditionally Parliament has controlled government spending by holding individual Ministers accountable for the funds it has voted to their departments. But in the budgeting system used by Treasury Board the government spending is divided into eleven different categories or "functions" of government. Each category takes a piece of your dollar. Over the years the size of some pieces have changed significantly as priorities changed. Here's how your dollar is spent:

Function	1964-65 (cents)	1971-72 (cents)
Health and Welfare	25	25 ✓
Economic Development and Support	11	14 ✓
Interest on Public Debt	15	14 ✓
Defence	21	13 ✓
Fiscal Transfer (Equalization) Payments to Provinces	05	09
Transportation and Communications	11	07
Internal Overhead Expenses (government office space, pension contributions, etc.)	04	06
General Government Services (administration of justice, tax collection, Parliament, etc.)	04	04
Education Assistance	0.4	04 ✓
Culture and Recreation	02	02
Foreign Affairs	02	02
	<b>\$1.00 = \$7.2 billion</b>	<b>\$1.00 = \$14.3 billion</b>

**Health and Welfare 25 cents**

When you pay your tax dollar to the Federal government you are almost certain to get some of it back through the many programs operated under the broad category of Health and Welfare.

It most often will be in the form of medical care or hospital care.

The government spends 25 cents of your dollar on these programs—an estimated \$3,547 million in the 1971-72 fiscal year. Nearly six cents will go in the form of Federal government



25¢

contributions to the provincial hospital insurance programs. The provinces will also receive another four cents as the government's share in your Medicare program. Four more cents will go for family allowances, youth allowances and family assistance programs. Greater income security for Canadians is a significant part of the government program for 1971-72. Funds have been allocated for a ten per cent increase in Unemployment Insurance benefits as of January, 1971. Further assistance to war veterans is another significant expenditure in the coming fiscal year. Their pensions are being raised by ten per cent, and allowances by fifteen per cent.

Approximately two cents of your dollar has been allocated in 1971-72 for programs designed to enable Canada's 245,000 Indians and Eskimos to improve their social and economic well-

being. Most of the money is designated for programs in the field of education, welfare and community development.

Associated with these programs are measures for resource and economic development in the Yukon and Northwest Territories through which Indian, Metis and Eskimo workers will be given greater job opportunities.

Not included in the 25 cents spent on Health and Welfare are the \$80 per month Old Age Pension and the Guaranteed Income Supplement. These are paid out of a separate fund. But the money for these payments—\$2,180 million in 1971-72, or about \$100 for every Canadian—also comes from your tax dollars. One of the government's major efforts against poverty this year was to increase the Guaranteed Income Supplement by approximately 50 per cent effective April 1.

#### HEALTH AND WELFARE

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>HEALTH:</b>		
Public Health	28.4	26.1
<b>Medical Care:</b>		
Medicare Payments to Provinces	400.1	550.1
Health Resources Fund	37.0	37.0
Medical Research Council—grants, scholarships, administration	34.4	36.1
<b>Hospital Care:</b>		
Hospital Insurance Payments to Provinces	730.3	811.9
Other Health, including Northern Health Services	12.5	14.8
<b>TOTAL HEALTH</b>	<b>1,242.7</b>	<b>1,476.0</b>
<b>WELFARE</b>		
<b>Income Maintenance:</b>		
Family and Youth Allowances	616.5	618.3
Family Assistance	3.0	3.2
Government Contribution to Unemployment Insurance Fund	134.0	110.0
Administration Cost, Unemployment Insurance Commission	58.1	58.4
<b>Social Assistance:</b>		
Canada Assistance Plan, Payments to Provinces	389.2	437.0
Aid to the Blind and Handicapped	10.9	11.2
Company of Young Canadians	1.9	1.9

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Veterans' Benefits:</b>		
Welfare Services for Veterans	108.3	104.2
Veterans' Pensions	217.6	241.8
Treatment Services—		
Health and Rehabilitation	71.0	77.7
Veterans' Land Act	10.3	11.9
<b>Indians and Eskimos:</b>		
Indian and Eskimo Affairs— welfare, education, etc.	222.9	256.4
Indian Health Services	30.9	32.8
<b>Housing and Urban Renewal:</b>		
Research and Community Planning	5.9	6.8
Aid to Urban Renewal Projects	24.0	25.0
Subsidies for Public Housing	9.1	15.1
Subsidies for Sewage Treatment Plants	9.0	15.0
Ministry of Urban Affairs and Housing	—	2.1
Other Welfare Programs	37.4	42.7
<b>TOTAL WELFARE</b>	<b>1,960.0</b>	<b>2,071.5</b>
<b>TOTAL HEALTH AND WELFARE</b>	<b>3,202.7</b>	<b>3,547.5</b>

### Economic Development and Support

14 cents

Approximately 14 cents of your dollar is to be spent on programs designed to build the economy and increase the productivity of individual workers. This represents an expenditure of \$2,017 million.

Two cents of your dollar has been earmarked for an expanded Occupational Training for Adults program designed to give disadvantaged workers the new skills a growing economy calls for. Two cents will be channelled into enlarged programs of regional economic expansion. This includes grants to industry to locate in slow-growth areas and grants to the provinces to improve the services required in an expanding economy—power, roads, sewage and

housing. The aim, of course, is to make lower-income regions like the Maritimes, Quebec and some sections of the Prairies more attractive to industry so that new jobs and wealth can be created.

Another two cents of your dollar is going to help increase the productivity of Canadian agriculture, to help farmers market their crops and maintain high quality standards, and to help them achieve greater stability of income.

Other important programs include assistance to Canadian industry in the development of new processes and products, and in industrial research, designed to improve Canada's position in the world marketplace.



14¢

### ECONOMIC DEVELOPMENT AND SUPPORT

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>PRIMARY INDUSTRY</b>		
<b>Agriculture:</b>		
Administration	12.0	13.8
Research	49.6	49.1

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Production and Marketing Administration and Operations</b>	24.9	24.6
Agricultural Commodities Stabilization— Dairy Subsidies, etc.	129.0	113.0
Payments for Farm Adjustment	—	16.0
Crop Insurance	6.2	8.8
Health of Animals Programs	25.0	27.4
Board of Grain Commissioners	11.6	13.1
Feed Freight Assistance	20.8	22.2
Farm Credit Corporation	9.4	9.2
Carrying Costs of Temporary Wheat Reserves and Advance Grain Payments	94.9	56.1
Other	0.5	0.5
<b>Fisheries:</b>		
Programs for Fisheries and Fishing Industry	45.4	45.6
<b>Forestry:</b>		
Forestry Program	23.1	22.4
<b>Minerals:</b>		
Mining, Energy and Earth Sciences Program	32.1	32.5
Gold Mining Assistance	14.7	14.5
<b>Water Resources:</b>		
Water Resources Programs	58.1	58.8
<b>Energy:</b>		
Atomic Energy of Canada Limited	69.0	77.1
Grants for Atomic Energy Research	2.5	2.6
Grant for Tri-University Meson Facility	4.6	5.5
Atomic Energy Control Board	0.7	0.9
National Energy Board	2.4	2.7
Other Primary Industry Costs	21.7	27.7
<b>TOTAL PRIMARY INDUSTRY COSTS</b>	<b>658.2</b>	<b>644.1</b>
<b>SECONDARY INDUSTRY</b>		
Grants to Industry, including Grants for Industrial Research and Development and to Modernize Specific Industries	116.7	139.5
Corporate Affairs—surveillance, research, bankruptcy and other administration	7.5	9.2
Canadian Film Development Corporation	0.3	0.3
Standards Council	—	0.5
<b>TOTAL SECONDARY INDUSTRY</b>	<b>124.5</b>	<b>149.5</b>
<b>LABOUR FORCE AND MANPOWER</b>		
<b>Working Conditions:</b>		
Labour Department, Administration	9.8	13.0
<b>Training:</b>		
Occupational Training for Adults	290.0	322.8
Capital Assistance to Provinces for Technical Vocational Schools	170.3	75.0
<b>Immigration:</b>		
Immigration Programs	28.4	28.4
<b>Other Labour Force Programs:</b>		
Canada Manpower Services	50.7	56.3
Manpower Mobility— grants for workers moving to jobs	7.7	8.4
Other	25.2	28.1
<b>TOTAL LABOUR FORCE AND MANPOWER</b>	<b>582.1</b>	<b>532.0</b>

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Tourism:</b>		
Tourism Development	11.2	11.3
<b>Foreign Trade:</b>		
Market Development	33.9	30.2
Cost of World Exhibitions	3.5	0.2
Anti-Dumping Tribunal	0.2	0.2
<b>Social Science Research:</b>		
Dominion Bureau of Statistics including 1971 Census	40.2	72.2
Canada Council Program for Social Sciences and Humanities	15.7	16.6
Economic Council of Canada	1.8	2.0
<b>Physical Science Research:</b>		
Grants to Universities	64.8	67.5
National Research Council Operations	51.3	56.4
Science Council of Canada	1.3	1.3
Science Secretariat	0.5	1.4
Other	6.1	6.5
<b>Regional Development:</b>		
Regional Economic Expansion, Grants to Industry and Provinces and Other Spending on Less Favoured Regions	263.2	333.3
Northern Development Program	22.1	29.0
Payments to Cape Breton Development Corporation including coal subsidies and industry rationalization	34.0	31.6
Other	29.8	31.5
<b>TOTAL ECONOMIC DEVELOPMENT AND SUPPORT</b>	<b>1,944.4</b>	<b>2,016.8</b>

### Public Debt 14 cents

Canada's public debt amounted to \$38 billion in October, 1970, and the Minister of Finance has forecast new government borrowings of \$1.9 billion in 1971-72 to cover an anticipated \$600 million deficit in the fiscal year, and a \$1.3 billion net cash require-

ment for non-budgetary investments such as housing, transportation, and loans to developing countries.

Paying the interest and other charges on this debt is going to cost \$1,995 million in 1971-72, or 14 cents of your dollar. This interest payment is almost wholly a return on investments in Canada by Canadians.



14¢

### PUBLIC DEBT

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
Spending on the Public Debt Interest, Amortization, Servicing Cost and Cost of Issuing New Loans	1,868.8	1,994.7
<b>TOTAL PUBLIC DEBT</b>	<b>1,868.8</b>	<b>1,994.7</b>





**Defence 13 cents**

The piece of the dollar representing the cost of maintaining Canada's defence forces has been diminishing in recent years. In 1964-65 it represented 21 cents. In 1971-72 it will represent 13 cents.

The budgetary expenditure for defence remains subject to a control level set by the government in 1969 for a three-

year period. The forecast amount for defence for 1971-72 is \$1,825 million. But within this ceiling the government is operating under a new scheme of defence priorities, described as defence of the Canadian territory, defence of North America in co-operation with the United States forces, the fulfilment of such NATO commitments as may be agreed upon, and participation in international peacekeeping operations.

**DEFENCE**

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Defence Spending:</b>		
Defence Services and Defence Research Board	1,598.6	1,628.4
Military Pensions	224.2	191.4
Other	4.8	5.5
<b>TOTAL DEFENCE</b>	<b>1,827.6</b>	<b>1,825.3</b>



**Fiscal Transfer Payments to Provinces 9 cents**

The Federal government will give approximately nine cents of your dollar in cash payments to the Provincial governments. These payments, which are in addition to those going for medical and hospital care and other specific programs, are estimated at \$1,300 million, or more than three times the amount paid in 1964-65. There are no conditions as to how the provinces may

use these funds, although they are intended to raise the level of services to the public in the lower-income provinces. Besides its cash payments to the provinces, the Federal government has also given them substantial resources by transferring to them some of the Federal taxing power over the past decade. Total payments and tax transfers to the provinces will be worth \$7.3 billion in 1971-72. A breakdown of fiscal transfers and other Federal payments to the provinces appears as Table III on page 30.

**FISCAL TRANSFER PAYMENTS**

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
Spending on Fiscal Transfer Payments	1,167.1	1,300.1
<b>TOTAL FISCAL TRANSFER PAYMENTS TO PROVINCES</b>	<b>1,167.1</b>	<b>1,300.1</b>

**Transportation and Communications** **7 cents**

Seven cents of your dollar in 1971-72 will go towards transportation and communications services provided to you by the Federal government. Three cents alone will go for the operations of the Post Office. The remainder of the \$1,006 million program will be spent on the development of other services that are vital to a country so vast and diverse as Canada. In addition to the seven cents of each dollar, there are such major projects as the

new deep-sea port at Roberts Bank, British Columbia, or the new international airport at Ste. Scholastique, Que., which are financed by loans and form part of the extensive transportation systems being developed to bring Canadians closer together.

The design and development of sophisticated communications systems, such as satellite telecommunications, are part of the government's program to bring the isolated regions of the country into instant contact with the rest of Canada.



**TRANSPORTATION AND COMMUNICATIONS**

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Air Transport:</b>		
Aviation Services—airports, air traffic control and aids to navigation, etc.	129.6	161.3
Payments to Air Carriers	2.0	2.0
<b>Water Transport:</b>		
Marine Services— aids to navigation, ice breaking, pilotage, search and rescue, etc.	91.6	104.1
National Harbours Board	2.5	3.2
Steamship Subsidies	6.0	6.0
Marine Program— construction and operation of harbours, wharves, etc.	38.2	32.4
St. Lawrence Seaway Authority	11.2	12.1
<b>Rail Transport:</b>		
Railway Subsidies	68.0	54.0
Canadian National Railways Deficit	25.0	25.0
Maritime Freight Rate Subsidies	14.2	14.5
<b>Road Transport:</b>		
Railway Grade Crossing Fund	20.0	20.0
Trans-Canada Highway Construction Grants	22.8	5.4
Other Road Transportation	13.1	14.3
<b>Post Office:</b>		
Cost of Operations Before Counting Revenues	394.5	418.4
<b>Telecommunications:</b>		
Department of Communications Research, Planning, Administration	16.7	22.4
<b>Other:</b>		
Surface Transportation	48.4	54.0
Weather Forecasting Services	37.8	24.8
Transportation Development Agency	—	2.2
Administration and Other	23.0	29.8
<b>TOTAL TRANSPORTATION AND COMMUNICATIONS</b>	<b>964.6</b>	<b>1,005.9</b>



**Internal Overhead Expenses** **6 cents**

It will take six cents of your dollar, or \$828 million to handle the govern-

ment's administrative housekeeping, such as office space, payments of grants to municipalities in lieu of taxes on Federal properties and government contributions to civil servants' pension and medical plans.

**INTERNAL OVERHEAD EXPENSES**

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Spending on Internal Overhead Expenses</b>		
<b>Government Support Services:</b>		
Accommodation— rent, maintenance, new buildings	220.7	249.2
Grants to Municipalities in Lieu of Taxes on Federal Property	55.4	59.0
Translation Services	8.5	11.3
Language Training	7.1	9.1
Other Administrative Costs	113.3	118.6
<b>Pension and Medical Plans:</b>		
Government Contributions to Civil Servants' Pension and Medical Plans	296.1	305.9
<b>Contingencies Vote:</b>		
For Unforeseen Spending and Salary Increases	63.0	75.0
<b>TOTAL INTERNAL OVERHEAD EXPENSES</b>	<b>764.1</b>	<b>828.1</b>



**General Government Services** **4 cents**

Other government services provided by the Federal government in the course of its administration of the country will cost four cents of your dollar in 1971-72.

More than one cent will be spent on services the government provides to protect you and your property—the administration of justice, consumer protection services such as the Food and Drug Administration, the Bureau of Consumer Affairs and the regulation of insurance companies and banks.

One cent will be required to pay for the cost of collecting from you the taxes, tariffs and duties the government needs to carry out its spending program.

Through the National Capital Commission the government spends some of your money to help make our capital one of the most attractive in the world.

One quarter of a cent of your dollar will go to help pay the cost of operating Parliament and the salaries of Members of Parliament and Senators.

**GENERAL GOVERNMENT SERVICES**

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Spending on General Government Services</b>		
<b>Legislation and Administration:</b>		
Legislative— salaries, operating costs of Parliament, election expenses and Auditor-General	32.3	36.1

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Executive—</b>		
Governor-General and Lieutenant-Governors, Privy Council, costs of Constitutional Conferences, Department of Finance and Treasury Board Administration	22.3	27.0
<b>National Revenue—</b>		
costs of collecting taxes, tariffs and duties	164.5	184.3
National Capital Commission	30.0	25.0
Information Canada	7.9	8.0
Yukon and Northwest Territories	65.8	71.0
<b>Protection of Persons and Property:</b>		
Justice—administration, courts, Judges' salaries	18.1	19.1
Prisons and Correctional Services and Solicitor-General	82.4	88.8
Royal Canadian Mounted Police	149.2	169.5
Consumer Protection Services including Food and Drug Administration	25.9	32.6
Prices and Incomes Commission	2.8	2.0
Combines Investigation and Competition Policy	1.9	2.6
Department of Insurance	.5	.6
<b>TOTAL GENERAL GOVERNMENT SERVICES</b>	<b>603.6</b>	<b>666.6</b>

### **Education Assistance 4 cents**

In the 1964-65 fiscal year the Federal government's contribution towards education totalled \$28 million, or only 4/10 of a cent of your dollar. In 1971-72 the cash contribution will total \$572 million, or about four cents. In no other field has Federal spending grown so fast.

The increase is primarily due to higher contributions to the provinces to help meet the costs of post-secondary education. The Federal government pays to the provinces half the cost of post-secondary education operating expenditures. It has recently begun payments to the provinces to help expand bilingual education in the schools, as part of the government's national unity objective.



### **EDUCATION ASSISTANCE**

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Spending on Education Assistance:</b>		
Post-Secondary Education— payments to provinces for costs of universities, community colleges, etc.	377.4	463.3
Interest Payments on Student Loans	22.9	29.7
Bilingualism Development— Including payments to provinces	54.1	78.8
<b>TOTAL EDUCATION ASSISTANCE</b>	<b>454.4</b>	<b>571.8</b>



## Culture and Recreation 2 cents

Two cents of your dollar are earmarked for the government's cultural and recreation programs. One cent goes for the operation of the Canadian Broadcasting Corporation. The remaining cent goes toward the operation of such cultural institutions as the

National Film Board, the National Museums, the National Library and the National Arts Centre, as well as for the improvement of national parks and historic sites and the creation of new ones in various locations throughout the country. In all, these programs will cost an estimated \$298 million.

### CULTURE AND RECREATION

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>Cultural Institutions:</b>		
Costs of National Museums, National Library, National Arts Centre, Public Archives	15.7	19.3
<b>Recreation:</b>		
National Parks, Historic Sites and Conservation	39.2	46.3
<b>Film, Radio and Television:</b>		
Canadian Broadcasting Corporation	166.0	181.0
National Film Board	10.6	11.0
Canadian Radio-Television Commission	3.3	4.0
<b>Other:</b>		
Arts and Cultural Support	7.4	1.1
Citizenship Development	5.8	15.6
Fitness and Amateur Sport Grants	5.2	7.2
Canada Council and Support of the Arts	8.5	9.8
Other	2.9	2.8
<b>TOTAL CULTURE AND RECREATION</b>	<b>264.6</b>	<b>298.1</b>



## Foreign Affairs 2 cents

The final two cents of your dollar is allocated for Canada's foreign relations and aid programs. Most of it is slated for the Canadian International Development Agency through which the government channels its assistance to developing countries where people subsist on incomes that are the barest fraction of those of the average Canadian.

In addition to grants for international

development, CIDA has also been given \$172 million to lend to developing countries on generous terms and the government is advancing \$153 million to the International Development Association, an affiliate of the World Bank, to be used for aid purposes over the next three years.

Total aid, including grants, loans and advances, in 1971-72 will be about \$425 million.

### FOREIGN AFFAIRS

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
<b>External Relations:</b>		
Department of External Affairs	60.7	78.9

	Forecast Expenditure 1970-71 (\$ millions)	Proposed for 1971-72 (\$ millions)
Canada's Contributions to International Organizations—United Nations, etc.	15.5	15.9
<b>Assistance to Developing Countries:</b>		
Aid to Developing Countries— grants, technical assistance, etc.	202.3	193.0*
Administration Costs, Canadian International Development Agency	8.2	9.1
<b>TOTAL FOREIGN AFFAIRS</b>	<b>286.7</b>	<b>296.9</b>

\*Total aid in 1971-72 will be \$425 million—see text page 28.



## \$14.3 billion = one dollar

Putting all these pieces together they add up to \$14,352 million. That's a lot of money in any man's language. In the language of this publication this spending program is equal to about 16 cents out of every dollar of goods and services expected to be produced in the Canadian economy in 1971-72 —\$14,352 million out of a Gross National Product in the range of \$90 billion.

A detailed examination of the Blue Book will demonstrate the Federal

government's contribution to the economic and social growth of Canada. It is a builder, a provider, an employer, a banker.

It is the challenge of the Federal government to try and do all these jobs effectively within the limits of the resources available to it. Ultimately, the scope and control of the government's programs depends on the amount of tax dollars you are prepared to make available.

It's your dollar.

ESTIMATED FEDERAL PAYMENTS AND TAX TRANSFERS TO PROVINCES AND MUNICIPALITIES<sup>1</sup> 1971-72

	(\$ millions)										
	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
Statutory Subsidies under the BNA Act	9.7	0.6	2.2	1.8	4.5	5.6	2.1	2.1	3.1	2.1	33.8
Provincial Share of the Estate Tax	0.5	0.2	3.9	1.8	13.7	26.8	4.3	3.8	7.6	—	62.6
Equalization 1971-72	103.8	21.3	97.1	93.6	458.6	—	49.3	61.0	—	—	884.7
Adjustments for prior years <sup>2</sup>	—	—	—	—	—	—	—	—	—	—	126.4
Public Utilities Income Tax Transfer	1.1	0.3	2.1	0.2	3.7	10.4	1.2	—	8.3	0.6	27.9
<b>Total Unconditional Transfers</b>	<b>115.1</b>	<b>22.4</b>	<b>105.3</b>	<b>97.4</b>	<b>480.5</b>	<b>42.8</b>	<b>56.9</b>	<b>66.9</b>	<b>19.0</b>	<b>2.7</b>	<b>1,135.4</b>
Hospital Insurance <sup>3</sup>	25.2	5.2	41.8	31.9	336.6	409.5	51.2	47.9	88.2	108.3	1,145.8
Medicare	13.5	2.8	19.4	15.7	156.0	192.5	25.4	24.1	42.4	56.7	548.5
Health grants <sup>3</sup>	0.3	0.1	0.4	0.3	2.7	3.3	0.5	0.4	0.7	1.0	9.7
Health Resources Fund	0.8	0.2	1.3	1.0	9.9	11.9	1.6	1.6	2.5	3.2	34.0
Canada Assistance Plan etc. <sup>3</sup>	24.7	4.3	19.6	20.1	243.1	198.7	30.2	23.4	44.9	72.8	681.8
<b>Total Health and Welfare</b>	<b>64.5</b>	<b>12.6</b>	<b>82.5</b>	<b>69.0</b>	<b>748.3</b>	<b>815.9</b>	<b>108.9</b>	<b>97.4</b>	<b>178.7</b>	<b>242.0</b>	<b>2,419.8</b>
Post-Secondary Education	7.6	1.7	17.1	9.7	121.7	179.8	20.0	18.3	66.2	20.7	462.8
Technical and Vocational Capital Assistance	6.3	1.3	4.0	3.4	28.3	—	11.1	8.7	—	11.9	75.0
<b>Total Education</b>	<b>13.9</b>	<b>3.0</b>	<b>21.1</b>	<b>13.1</b>	<b>150.0</b>	<b>179.8</b>	<b>31.1</b>	<b>27.0</b>	<b>66.2</b>	<b>32.6</b>	<b>537.8</b>
Municipal Grants in lieu of taxes	0.4	0.3	3.8	0.4	12.1	27.2	3.5	1.7	3.7	4.9	58.0
Economic Development, language training, etc. <sup>2</sup>	—	—	—	—	—	—	—	—	—	—	220.0
<b>Total Other</b>	<b>0.4</b>	<b>0.3</b>	<b>3.8</b>	<b>0.4</b>	<b>12.1</b>	<b>27.2</b>	<b>3.5</b>	<b>1.7</b>	<b>3.7</b>	<b>4.9</b>	<b>278.0</b>
<b>Total Payments to Provinces</b>	<b>193.9</b>	<b>38.3</b>	<b>212.7</b>	<b>179.9</b>	<b>1,390.9</b>	<b>1,065.7</b>	<b>200.4</b>	<b>193.0</b>	<b>267.6</b>	<b>282.2</b>	<b>4,371.0</b>
Value of Tax Abatements <sup>4</sup>											
a. Individual 28 pts.	22.9	4.3	51.7	34.3	526.9	1,026.2	87.3	57.1	159.3	262.7	2,232.7
b. Corporation 10 pts.	5.9	1.2	11.6	9.2	135.5	267.2	22.8	13.2	49.0	77.2	592.8
c. Estate Tax — arrangements vary	—	—	—	—	27.4	53.5	—	—	—	19.2	100.1
<b>Total Tax Abatements</b>	<b>28.8</b>	<b>5.5</b>	<b>63.3</b>	<b>43.5</b>	<b>689.8</b>	<b>1,346.9</b>	<b>110.1</b>	<b>70.3</b>	<b>208.3</b>	<b>359.1</b>	<b>2,925.6</b>

<b>Total Payments and Tax Transfers to Provinces</b>		<b>222.7</b>	<b>43.8</b>	<b>276.0</b>	<b>223.4</b>	<b>2,080.7</b>	<b>2,412.6</b>	<b>310.5</b>	<b>263.3</b>	<b>475.9</b>	<b>641.3</b>	<b>7,296.6</b>
Equalization 1971-72 per capita value	\$	200	193	127	150	76	—	50	65	—	—	

<sup>1</sup> Totals will not agree with Main Estimates detail because of exclusion of transfers to the Yukon and the Northwest Territories, because of inclusion of tax abatements to provinces and because of rounding.

<sup>2</sup> The distribution by province of final adjustment payments for 1969-70 equalization, economic development, and language training programs is not available.

<sup>3</sup> Payments to Quebec for hospital insurance, health grants and Canada Assistance Plan include the value of tax abatements granted in lieu of direct cash payments by the Federal Government. The value of tax abatements is estimated at \$362 million for hospital insurance and the Canada Assistance Plan.

<sup>4</sup> Tax abatements replaced the tax rental agreements in 1962. At present the Federal Government has reduced its income taxes by 28% of the federal basic individual income tax and by 10% of the taxable income of corporations in order to allow the provinces to impose equivalent taxes without subjecting their taxpayers to a higher level of tax than was in effect at the termination of the tax rental arrangements. The provinces may, and some do, impose higher rates of individual and corporation income tax. In 1971-72 these tax abatements are worth an estimated \$2,825 million to the provinces. Provinces are not obliged to use these revenues for any specific program but approximately \$378 million of the total represents part of the Federal Government's contribution to the cost of post-secondary education. Before tax abatements were introduced the provinces received tax rental payments equal to 13% of the federal individual income tax, and 9% of the taxable corporation income.



Health and Welfare  
Santé et bien-être social

25¢

Foreign Affairs  
Affaires étrangères

2¢

Culture and Recreation  
Culture et loisirs

2¢

Education Assistance  
Aide à l'éducation

4¢

General Government  
Services généraux du  
gouvernement

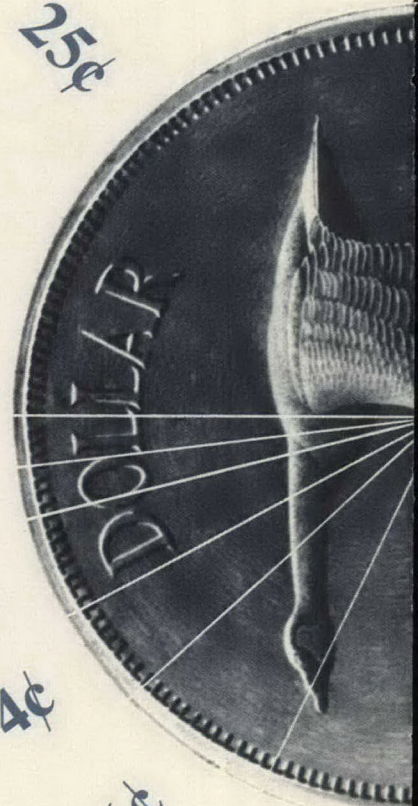
4¢

Internal Overhead Expenses  
Frais généraux internes

6¢

Transportation and  
communications  
Transports et  
communications

7¢



Economic Development  
and Support  
Expansion et soutien  
économiques

14¢

Public Debt  
Dette publique

14¢

Defence

13¢

¢6

Fiscal Transfer Payments  
to Provinces  
aidements de transfert  
aux provinces

