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DEPARTMENT OF TRADE AND COMMERCE

DOMINION BUREAU OF STATISTICS

EDUCATION STATISTICS BRANCH

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COST OF EDUCATION

BULLETIN No. 2.

Expenditure for Schools Considered in Relation  
to National Income and Other Items of National  
Expenditure.

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OTTAWA

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has come out for the purpose of food, clothing and shelter, including the

## P R E F A C E

This bulletin, the second in the series, attempts to show how much money it is, out of the total spent by Canadians in a year, that goes to the support of schools and colleges. It attempts also to make a broad classification of all consumer expenditures, thus making it possible to compare the support given to educational institutions with the amount spent for a number of other purposes. As in the preceding bulletin, the year to which the figures apply is as nearly as possible the year covered by the census of 1931, since much of the basic data used is from the census, and is not available from any other source. Hence it is not implied that this was a particularly normal year, though in point of fact it was probably less abnormal in some respects than the years immediately preceding or following.

It is indicated that out of a total expenditure by Canadian consumers that was probably in the neighbourhood of \$4,750,000,000, about 55 per cent went for the purchase of food, clothing and shelter, including taxes paid as a part of the purchase price, about 7 per cent was paid in direct taxes, and allowing 8 per cent for savings, 30 per cent was left to spend for other things with a certain amount of indirect taxes included in their cost.

Of the total expenditure about 3.5 per cent went to schools and universities. The greater part of this was included in the 7 per cent paid as direct taxes. Indirect taxes took about 8 per cent of consumers' outlay; thus total taxation, direct and indirect was about 15 per cent.

The bulletin has been prepared by Mr. J. E. Robbins of the Education Branch of the Bureau.

R. H. COATS,  
Dominion Statistician.



# Soviets To Geneva

## Canadians Earn Less Than They Spend Annually

**Expenditures Total About \$4,750,000,000 a Year While Total Recorded Income \$4,600,000,000**

**About \$165,000,000 Goes For Education**

**Figures Released By the Bureau of Statistics Are Based on Last Census.**

Canadian consumers spend in the neighborhood of \$4,750,000,000 a year according to a return made public by the Dominion Bureau of Statistics. About \$165,000,000 goes for education.

The recorded figures showed that Canadians spend \$150,000,000 a year more than their incomes. The total income was given as \$4,600,000,000 of which \$3,392,854,200 was salaries, wages and other returns for labor. The balance was the earnings of capital.

"It might be expected" the report declared, "that our national expenditure would be less than our recorded income, the difference representing saving or accumulation, but it seems doubtful whether this is the case.

"This is due" the report proceeds, "to a variety of reasons, among them being the fact that income derived from odd jobs, gratuities, bonuses, sales bribes, graft, gambling, bootlegging, etc., does not find its way into the records.

### **Instalment Buying.**

"It is also due in part to the rapid extension of consumer credit or instalment buying in recent years; in an increasing degree we have been buying more goods, or spending more money in a year, than our income of the year will pay for."

The figures which the Bureau used in making the compilation were largely those obtained in the last census in 1931, and for the most part applied to expenditures and incomes of the year before. Canadians divided their expenditures in the following ratio:

1. Food, clothing and housing, including taxes paid as part of the purchase price, 55 per cent.
2. Direct taxes (being mainly on real estate and thus paying much the greater part of school costs) seven per cent.
3. Savings, probably eight per cent.
4. Other expenditures, including taxes paid as part of the purchase price, 30 per cent.

### **Education.**

Of the total expenditure, about 3.5 per cent went to schools and

universities. The total expenditures shown in the annual survey of education for 1930 and 1932 was about \$165,000,000 and in 1931 slightly higher.

The greater part of the amount paid for education was included in the seven per cent in direct taxes. The amount spent on education was divided: Universities and colleges, \$20,000,000; high schools, \$35,000,000; and elementary schools, \$110,000,000.

Respecting the amount raised by churches, the report declared:

"The amount provided for the support of churches is published by three of the five religious denominations in Canada claiming the most adherents. These three show a total of \$23,200,000 raised for all church purposes in 1930, and the census of 1931 shows that their adherents constituted 32 per cent of the population. If the supporters of other denominations contributed the same per capita, the amount

raised by all churches would have been about \$73,000,000."

Men



DOMINION BUREAU OF STATISTICS  
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EXPENDITURE FOR SCHOOLS CONSIDERED IN RELATION TO NATIONAL INCOME  
AND OTHER ITEMS OF NATIONAL EXPENDITURE.

The expenditure for all Canadian schools and institutions of higher learning, public and private, is shown in the Annual Surveys of Education for 1930 and 1932 to have been about \$165,000,000. The intervening year is the only one in which it was ever higher. About \$20,000,000 of this is the share of universities and colleges, something like \$35,000,000 is spent on the high school students, and \$110,000,000 on the elementary.

By considering this sum of \$165,000,000 for schools as one item in the total amount of money that we spend in a year, we are setting it in perspective in such a way as to make clear its real weight or burden from a national standpoint. It is scarcely possible to see clearly all the details of the panorama of national expenditure, of which education is one, but there are parts of it that stand out in full view - as for instance in the 1931 Census of Retail Trade - and we know from a variety of sources the approximate extent of the whole.

National Income and Expenditure.

The census of 1931 found that the earnings of 2,477,038 persons in Canada working for wages or salaries were \$2,102,877,400 in the preceding year. There were also 88,963 wage-earners whose earnings were not recorded and 1,361,590 gainfully-occupied persons who were not on salary or wages; these were the employers, and people working on their own account, like farmers, small storekeepers, doctors, etc. If we suppose that these earned from their businesses and professions on the average the same as the earnings of those who were working for a fixed salary or wage, the combined earnings of all would have been \$3,392,854,200. This is probably a conservative assumption, because the earnings of the average independent worker or employer may be higher, than those of the employees. So without calling this figure an estimate, it may be considered to provide an idea of the proportions that the aggregate income from labour or services probably assumed. In addition to this type of income--the reward of labour or effort--there is the income received from capital, which appears as interest, dividends, rentals, gains from sale of assets, etc., and income from insurance or pensions. These sources provide the entire income of a group of people not included at all among the gainfully-employed, to whom we have attributed probable earnings of the magnitude of \$3,392,854,200, and they also yield sums to many of those in the larger group, which must be added to their earnings to make their total income. For the United States, the National Bureau of Economic Research<sup>1/</sup> finds that the effort-income represented only 73.5 per cent of the total in 1929. If a similar ratio should be considered to exist in Canada, it would point to an aggregate national income in the vicinity of \$4,600,000,000. It is probably a liberal assumption to suppose that the proportion of unearned income in the total is as high in Canada as in the United States, but offsetting this is the fact that the figure for earned income is likely conservative.

The Canada Year Book,<sup>2/</sup> by quite a different approach, estimates the national income of 1930 to have been in the neighbourhood of \$4,750,000,000. The method used in reaching this figure is to find the value of goods produced (using the term in the narrow sense of primary production and manufacture) and the number of people engaged in producing these goods, then to assume that all others who were working (e.g. people engaged in transportation, professional and personal services, etc.) produced the same value per capita. From the total thus obtained 8 per cent is deducted for the replacement of equipment used up in the process of production, leaving a net income of \$4,750,000,000, a figure which differs only about 3 per cent from the one calculated from earnings. Moreover, the earnings figures apply to a year ending five months later than the production figures, at a time when productive activity was on the decline. So it can perhaps be safely assumed that either figure presents a reasonably accurate conception of the dimensions of the national income.

1/ The National Income and Its Purchasing Power, 1930.

2/ P. 203, 1933 edition, published by Dominion Bureau of Statistics.





It might be expected that our national expenditure would be less than our recorded income, the difference representing savings or accumulation, but it seems doubtful whether this is the case. A comprehensive study<sup>3/</sup> for the United States finds that a record of expenditures persistently exceeds the record of incomes prepared by the National Bureau of Economic Research. This is due to a variety of reasons, among them being the fact that income derived from odd jobs, gratuities, bonuses, sales bribes, graft, gambling, bootlegging, etc., does not find its way into the records. It is also due in part to the rapid extension of consumer credit or instalment buying in recent years; in an increasing degree we have been buying more goods, or spending more money in a year, than our income of the year will pay for. In fact a case could be made for the contention that Canadian expenditure exceeded \$5,000,000,000, in the year under consideration, but it is necessary for present purposes only to know that an exaggerated conception of expenditure is not being obtained in regarding it as the full equivalent of the figure for income, say \$4,750,000,000.

Having settled on this figure, we are in a position to see that the \$165,000,000 in support of schools and colleges was about 3.5 per cent of the money that there was to spend in the year; and we can proceed to compare this amount with what was spent for other purposes.

#### How The Canadian Consumer Spends His Income.

As already mentioned, anything like a complete classification of the aggregate expenditure of Canadian consumers is not to be had, but there are complete or partial records of some types of expenditure that are sufficient to help toward a sense of balance, or proportion, in judging of the real weight of any one.

Food, Clothing, Shelter. Expenditure for food, clothing and housing is, in one sense, in a class by itself, since the human body must have these if life is to be sustained. It is quite certain that all the money actually spent for these purposes is not strictly essential for maintaining the population at its existing level of vitality, as there are probably few who cannot recall outlays of this kind made needlessly, if not unwisely. But under post-war conditions of life on this continent and in Great Britain, various calculations<sup>4/</sup> seem to show, about 55 per cent of our expenditures come under these categories. The Feavearyear estimates for Great Britain (1924-27) show 54.4 per cent, the Business Week estimates for the United States (1919-30) show 55 per cent, and the Hoyt (1926) show 56 per cent. When the difference is so small between these two countries that are nearest to us in ways and standards of living, it seems a safe assumption that the proportion is much the same in Canada.

Broadly speaking then, nearly half of our income remains after the bare physical necessities of life have been met. If we suppose that one dollar in each eleven spent for food, clothing and shelter, is unnecessary or superfluous, fully half remains, and about 7 per cent of this half goes to the support of schools and colleges, though it is not paid by the consumer for educational institutions as such. Much the greater part of it leaves the person who has earned it, in the form of taxes, and is spent by the various governmental bodies acting in a collective capacity for the aggregate of individuals.

Direct Taxes. This fact invites consideration of a second call upon the consumer's funds in the form of taxes, a necessitous call also, but differing in the nature of its necessity from the demand for food, clothing and shelter. The combined amount of taxes paid to the Dominion, provincial, and municipal governments in 1930-31 was approximately \$700,000,000,<sup>5/</sup> or about 15 per cent of the sum of consumers' expenditure.

Only a fraction of the total, however, was paid directly as taxes; the remainder was paid in the form of higher prices for commodities or services and is included in the cost of clothing, rents, and the like. The knowledge of taxation incidence is not sufficiently complete to divide all taxation into the two classes completely, but the total of real and personal property taxes, income taxes and succession duties, which would be mainly in the direct class, amounted to less than \$400,000,000, whereas the aggregate of customs, excise, gasoline and sales taxes, profit on liquor sales, and other indirect taxes was over \$300,000,000. A considerable part of the former sum, especially since two-thirds of it represents real property taxes, must have been paid

<sup>3/</sup> The Business Week, Issues Apr. 27 to Sept. 7, 1932, McGraw-Hill Pub. Co., New York.

<sup>4/</sup> As summarized by The Business Week in the study to which reference is made in the preceding note.

<sup>5/</sup> See Cost of Government in Canada, a pamphlet prepared by the Research Committee of the Canadian Chamber of Commerce, of which Mr. Sanford Evans was chairman, and other studies.







in the form of higher rent rather than out of the profits of the person owning the property. This amount is included in shelter costs, and it accordingly seems safe to suppose that at least half of all taxes were paid indirectly, leaving not more than \$350,000,000, and probably less, to be paid directly. Something like 7 per cent of consumer expenditures, then, seems to be paid out in taxes, as such.

A General Classification. The foregoing would indicate that the Canadian consumer's expenditure could be classified roughly as follows:

1. Food, clothing and housing, including taxes paid as part of the purchase price ..... 55 per cent
2. Direct taxes (being mainly on real estate and thus paying much the greater part of school costs) ..... 7 per cent
3. Savings, probably ..... 8 per cent
4. Other expenditures, including taxes paid as part of the purchase price ..... 30 per cent

Indirect taxation, which we have taken to be about 8 per cent of all expenditure, is probably more than proportionately included under the last heading as compared with the first. That is, the rate of taxation averages higher on the commodities included in the latter group. For instance, the profits of provincial governments from liquor traffic (included as taxes) exceeded \$30,000,000 and the Dominion Customs and Excise on alcoholic beverages exceeded \$36,000,000 in the fiscal years ending in 1931, whereas the census of merchandising in 1931 showed sales of \$131,375,000 by liquor stores and taverns in the preceding year, indicating that **roughly** half of the purchase price of spirituous beverages on the average represents taxes. Similarly with tobacco and its products. Tobacco manufactures in 1930 were valued at \$85,672,000, and something like half of this sum must have represented excise duties, for the excise collected on tobacco in the nearest fiscal year was over \$42,000,000. Liquor and tobacco are rather exceptional, among the commodities purchased in important quantities, in the high proportion of their costs constituting taxes, but other much-used commodities, such as motor vehicles and gasoline, include a relatively high proportion of taxes in their purchase price, as compared with food and clothing.

How the Residual 30 per cent is Spent. The summary above shows a balance of about 30 per cent after allowing for food, clothing, shelter, direct taxes and savings. This 30 per cent would represent a sum in the neighbourhood of \$1,425,000,000.

The Census of Retail Merchandising and Service Establishments, 1931, indicates how a part of this money was spent, but the census classifies sales according to the kind of store in which they were made, and it is only in relatively few cases that the sales of any particular type of commodity or service can be obtained from such a compilation. The receipts of motion picture houses, for instance, are recorded at \$39,233,200, and this is probably very near the total amount spent on the movies, but the receipts of bowling alleys and billiard parlours are shown to be \$7,772,600, those of barber shops and beauty parlours \$23,085,700, and these sums are likely to be short of the total amount spent for the services that establishments of these two kinds offer, since many hotels, tobacco stores, etc., have barber shops or pool rooms, the receipts from which are not included. Nevertheless the Census of Retail Establishments provides much useful data for studying the details of Canadian expenditure.

A second method of obtaining knowledge of the amount spent for different commodities is to add the value of imports and subtract the value of exports from the value of goods produced, as shown in the production figures, and Census of Manufactures, of the Dominion Bureau of Statistics. Thus a conception of the expenditure for medicine might be gained by noting that the value of medicinal and other pharmaceutical preparations manufactured in Canada in 1930 was \$17,769,000, and imports of such products exceeded exports by \$3,428,000. Similarly manufactures and net imports of scientific and professional equipment (a large proportion of which would be for the use of doctors, dentists, etc.) had a value of \$10,392,000. With these figures as a basis it would be possible to obtain a conception of the total expenditure for health purposes. The Census of Institutions in 1931 showed the budgets of hospitals to be in excess of \$58,000,000. If the earnings of all doctors, nurses and other health professionals such as dentists, opticians, etc., were the equivalent per capita (in each group) of those on hospital staffs or otherwise on salary, the amount paid to all health professionals would have been \$53,400,000. The five sums added together make some \$143,000,000 definitely attributable to health purposes, though because some of the hospitals are supported by taxation not all of the total can be called consumer expenditure.







Various other methods can be used for obtaining an approximation of other types of expenditure. A special compilation of the Dominion Bureau of Statistics<sup>6/</sup> estimates the expenditure of Canadian tourists abroad to have been \$100,389,000 in 1930. In the three preceding years it was substantially higher, but in 1931 dropped to \$76,452,000. Expenditure for personal travel and holidays at home would have to be estimated from a variety of sources.

The amount provided for the support of churches is published by three of the five religious denominations in Canada claiming the most adherents. These three show a total of \$23,200,000 raised for all church purposes in 1930, and the census of 1931 shows that their adherents constituted 32 per cent of the population. If the supporters of other denominations contributed the same per capita, the amount raised by all churches would have been about \$73,000,000.

Such are some of the probable sums included in the 30 per cent of Canadian consumer expenditure that remains after food, clothing, housing, savings and direct taxes are paid for, - and some indications of the manner in which other of these expenditures may be ascertained. The sums mentioned scarcely account for half of the 30 per cent. The largest item of the group for which a figure is not indicated is undoubtedly motor cars and other means of passenger transportation, another important one is expenditure for personal adornment including cosmetics, jewelry, etc. Still others are confectionery, fees for membership in societies, the cost of correspondence, reading material, music, sports, and other private educational, social or recreational activities.

6/ The Tourist Trade in Canada. Published annually.

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