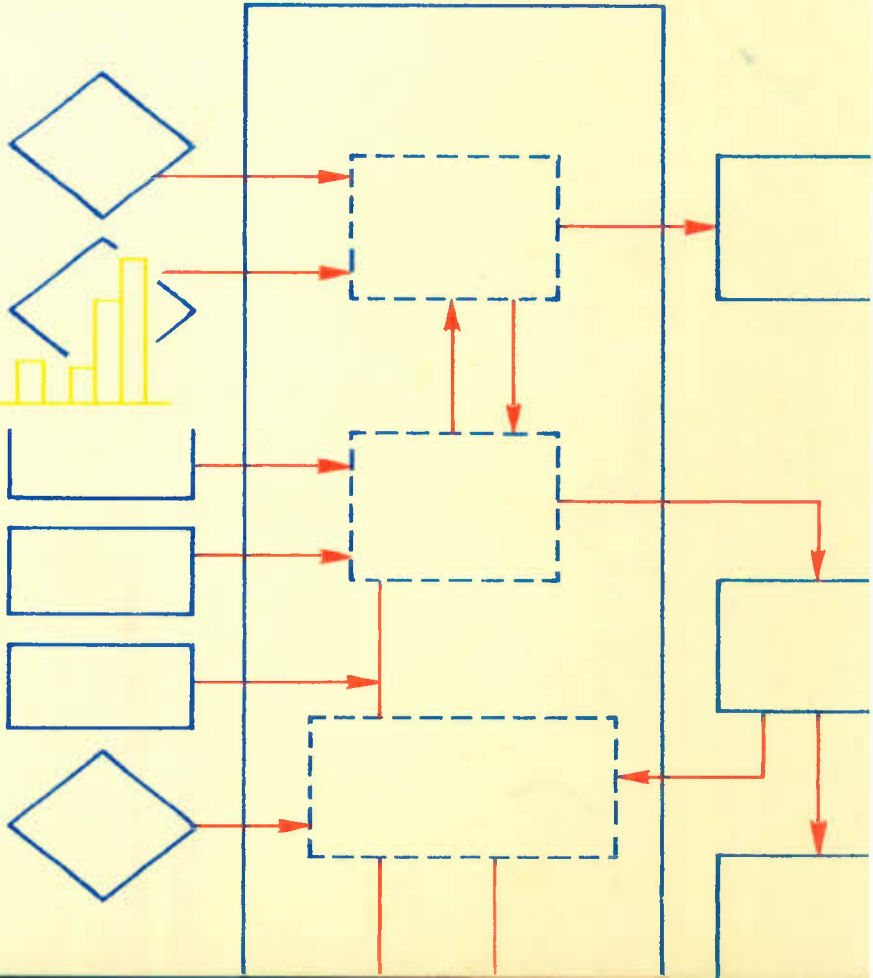
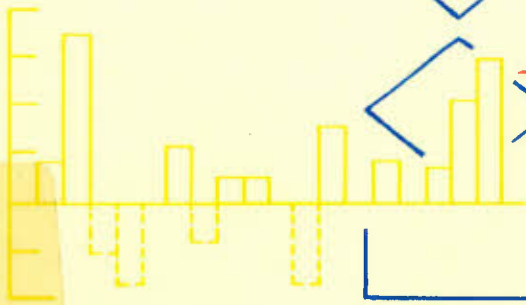




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DISCUSSION PAPER NO. 81

The Provincial Distribution
of Federal Government
Expenditures 1972-73,
1973-74 and 1974-75

by Irene Banks

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February 1977



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ABSTRACT

Identification of the geographical distribution of federal expenditures is both timely and controversial in the context of debate on the evolution of Canadian Confederation. It is with a view to generating basic data for analysis of the federal policy stance vis-à-vis the regions that we have development estimates of the provincial distribution of federal government spending for three fiscal years 1972-73 to 1974-75.

The basic methodology employed is to identify payments on a cash flow basis according to the location of purchase of goods or services or residence of transfer recipients. The rationale for choosing this method over the major competing alternative, which is to distribute imputed benefits from government expenditures, is presented in the section on the conceptual framework and rests mainly on our inability to devise an empirical test of the stronger assumptions which must be accepted along with the benefit approach.

Depending on alternative definitions of the "size of government" we have successfully distributed between 64 and 78 per cent of total government expenditures. The higher figure most closely approximates the National Accounts basis of measurement; however, small discrepancies do exist between our estimates and National Accounts definitions. The largest components of our totals are transfer payments to persons (39 per cent) and to provincial and local governments (34 per cent), and the federal wage bill (18 per cent). The major

items we have not distributed are interest on the public debt, and government purchases of materials, supplies and services. We also have not allocated personnel costs other than wages and salaries, although this might reasonably be done on the basis of the wage bill distribution, and would increase the share of total expenditures covered by our estimates.

The data show that the Atlantic provinces received the largest share of federal expenditures on a per capita basis. Manitoba and Saskatchewan were also above average, but by much less than the Atlantic region. Quebec received just less than average over the period, while Ontario, British Columbia and Alberta ranked lowest in their per capita receipts of federal expenditures. The item most responsible for the observed provincial differences in expenditures was equalization payments.

Finally, the paper illustrates how the data may be used in the analysis of the impact of federal expenditure patterns on regional income disparities. One example indicates that transfer payments to governments and individuals in 1974-75 offset about 20 per cent of the income gaps we would have expected between provinces had these transfers been distributed on an equal per capita basis. The second example employs input-output tables to estimate the effect that the unequal distribution of the federal wage bill had on per capita income in the same year. In this case results were mixed, in that the income gap was reduced for some provinces but actually increased in others over what it would have been if federal wages and salaries had been distributed equally in proportion to population.

RÉSUMÉ

Dans le cadre du débat actuel sur l'évolution de la Confédération canadienne, l'identification de la répartition géographique des dépenses fédérales est opportune, mais prête à controverse. C'est en vue de produire les données fondamentales nécessaires à l'analyse de la politique fédérale dans les diverses régions que nous avons établi des estimations de la répartition provinciale des dépenses du gouvernement fédéral pour les années financières 1972-1973 à 1974-1975.

Ces estimations ont consisté à identifier les paiements de transfert sur la base des flux de trésorerie, selon l'endroit où les biens et services ont été achetés ou le lieu de résidence des bénéficiaires des paiements. La justification du choix de cette approche plutôt que de celle, qui consisterait à répartir les avantages imputés aux dépenses gouvernementales, est présentée dans la section portant sur le cadre conceptuel; elle tient surtout au fait que nous n'avons pu concevoir un test empirique pour vérifier les hypothèses plus rigoureuses qu'il aurait fallu accepter si l'on avait adopté l'approche des avantages imputés.

Suivant diverses définitions de la "taille du gouvernement fédéral", nous avons réussi à répartir entre 64 et 78 % de l'ensemble de ses dépenses. Le pourcentage le plus élevé est celui qui correspond le plus aux critères de mesure utilisés dans les Comptes nationaux; cependant, il existe de légères différences entre nos estimations et celles fournies par les Comptes nationaux. Les composantes principales des totaux que nous avons obtenus sont les paiements de transfert aux particuliers (39 %) ainsi qu'aux gouvernements provinciaux et administrations locales (34 %) et la masse salariale fédérale (18 %). L'intérêt sur la dette publique de même que les achats de matériaux, de fournitures et de services par le gouvernement n'ont pas été distribués. Nous n'avons pas réparti non plus les coûts du personnel autres que les salaires et traitements, bien que cela aurait pu être fait à partir de la distribution de la masse salariale, ce qui aurait d'ailleurs augmenté la proportion des dépenses totales couvertes par nos estimations.

Les données indiquent que les provinces de l'Atlantique ont reçu la plus grande part des dépenses fédérales sur une base per capita. Les proportions du Manitoba et de la Saskatchewan se sont également montrées au-dessus de la moyenne mais de beaucoup en deça de celle de la région Atlantique. Le Québec a touché du fédéral tout juste un peu moins que la moyenne pour la période étudiée. Ce sont l'Ontario, la Colombie-Britannique et l'Alberta qui ont reçu le moins du gouvernement fédéral par habitant. Les paiements de péréquation ont représenté l'élément le plus déterminant des différences observées dans la répartition provinciale des dépenses fédérales.

Enfin, le document montre comment il est possible d'utiliser les données pour analyser l'impact de la répartition des dépenses fédérales sur les disparités régionales de revenu. Un premier exemple montre que les paiements de transfert aux gouvernements et aux particuliers, en 1974-1975, ont compensé environ 20 % des écarts de revenu interprovinciaux auxquels nous nous serions attendus si ces transferts avaient été distribués également selon la population. Un second exemple, fait appel à des tableaux d'échanges intersectoriels pour évaluer l'effet que la répartition inégale des salaires et traitements fédéraux a eu sur le revenu par habitant cette année-là. Dans ce dernier cas, les résultats obtenus varient d'une province à l'autre, c'est-à-dire que l'écart de revenu s'en trouve réduit pour certaines provinces, mais qu'il augmente dans d'autres dans des proportions plus grandes que ce n'aurait été le cas si les salaires et traitements fédéraux avaient été répartis également au prorata de la population.

I The Conceptual Framework

Since the task of producing a complete and meaningful measure of the spatial distribution of government economic activity is at a very early stage at the Economic Council, we cannot claim total consistency and rigour in the allocations selected for this presentation. In so far as possible we have followed the convention of identifying expenditures on a cash basis at the point of payout to private individuals or enterprises.¹ In the interest of producing the initial distribution in a fairly short time, however, we have sometimes been dependent upon the definitions used in source documents or departmental records. Thus, some parts of the data relate to the geographical area where economic activity is carried out (e.g., the province in which federal employees work or in which government buildings are erected), while others refer strictly to the point of payment (e.g., old age security, family allowance and pension payments). For some purposes these categories will be quite useful. Users may wish to analyse the aggregate demand effects of federal government activity, in which case knowing the federal wage bill by province where it is earned is useful, albeit not without ambiguity in areas such as the National Capital Region where employees may work in Ontario but live and spend most of their incomes in Quebec or vice versa.

The data in themselves do not address the question of forward and backward linkages -- that is, they do not give us information about where the inputs to the final good or service purchased by the government come from, or where

1 Detailed sources and compilations are found in Appendix C.

incomes generated by different types of government expenditures are likely to be spent. These questions can be investigated through the use of regional input-output tables such as those developed by the Department of Regional Economic Expansion.²

Where a provincial distribution has been available on a National Accounts (accrual) basis, and where we have the aggregate expenditure on a cash basis, we have applied the National Accounts distribution to the total cash outlay to arrive at the figures reported in the tables (e.g., Oil Import Compensation Payments). While there is certainly a strong economic rationale for following the reverse procedure and attempting to convert all expenditures to an accrual basis (more closely corresponding to real economic activity, which is after all the object of the measurement exercise), the majority of our sources follow the fiscal year, cash payment concept. It would be a lengthy, if not ultimately impossible, task to arrive at a "better" set of estimates based on the accrued payments concept. In any event, since the data are primarily designed for the analysis of relative expenditures in different regions rather than precise levels at a point in time, the development of a data set covering a period of years and which is reasonably internally consistent, should mean that the cash payment concept will do little violence to our objective.

2 "An Interprovincial Input-Output Model, Version III,"
R. Zuker, Department of Regional Economic Expansion, May 1976.

The basic methodology, then, seeks to establish the first round, spatial allocation of federal expenditures on goods and services and federal transfer payments. An alternate approach to the distribution of government activity has been suggested. It consists in the perspective of government as a supplier of public goods and attempts to allocate the value of government activity by the location of goods and services in final use.³ We might term this approach the "consumption" or output approach to government in contrast to our own which is a "production" approach.

Both approaches are constrained to using "costs of production" as a measure of government activity. The production method examines where these costs are incurred, while the consumption method examines where the benefits generated by the costs accrue. Since by their nature many public goods are indivisible, the consumption method of distribution entails the spatial allocation of a large part of government activity according to some arbitrary criterion such as population. While this is an acceptable approach for some purposes, it conceals a number of assumptions which may not be generally acceptable, particularly in the context of the regional disparities debate. Residents or their representatives in different regions may disagree on the relative benefits they receive from particular public expenditures such as defence, industrial assistance, or transportation infrastructure.

3 This approach was adopted by the Department of Finance in the early sixties in response to questions raised in the House of Commons. The approach resulted in a distribution in which some 44 per cent of government expenditures were allocated on the basis of population. Hansard, August 7, 1964, p. 6552.

The consumption method ultimately rests on the valuation of utilities which are subjective and unobservable. If we are to accept it, we must do so on the faith that the necessary underlying adjustment mechanisms exist and are operating in such a fashion that the allocation of resources -- between public and private sectors, between tar sands exploitation in Alberta and electric power subsidies in the Maritimes, between corporate taxes and personal taxes -- and the resulting relative prices are or tend toward a socially optimal configuration.⁴

The production method of allocation of government activities is not without some of the same problems. It is intended to yield a measure of the utilization of scarce resources. However, the fact that markets may be less than perfectly competitive or perfectly equilibrating across space and time introduces the possibility that relative costs will not reflect relative resource usage. To illustrate, suppose

⁴ Stated another way, cost of production in the consumption method serves as a proxy for value to citizens. The correspondence between the two is not open to direct empirical testing, and even the indirect test of the ballot box is subject to various criticisms which have been made of models of democratic decision-making, the questions of existence and expression of a well-behaved social welfare function. Production costs will be a good proxy, to the extent that such a function exists at least in principle and that the economy including the public sector behaves as if it were governed by market principles which ensure the fulfilment of the necessary marginal conditions for an equilibrium. This is a strong assumption on two counts: first, the output of public goods is not regulated by exchange through markets, and in addition, a substantial proportion of government expenditures have become institutionalized, that is to say relegated to administrative departments or agencies and rarely given direct scrutiny at the political level. Expansion upon these ideas would constitute topics for a good many papers; suffice it to note that a one-to-one correspondence between cost of production and value of public goods is not immediately obvious without accepting quite a number of assumptions about the political-economic system.

that the federal government is able to hire labour of skill level S for a wage W_1 in Ottawa, but that labour of the same skill level is available in Winnipeg at a lower wage rate W_2 , where $(W_2 < W_1)$.⁵ Then the cost to the government of hiring a unit of labour depends on where it is employed. If two units are hired, one in Ottawa and one in Winnipeg, then the wage bill will be $W_1 + W_2$, where $2W_2 < W_1 + W_2 < 2W_1$ and government will appear⁶ to be more concentrated in Ottawa, although in real terms an equal quantity of resources are employed in each place. This problem of aggregation of resources by their money prices exists also in the consumption approach. Nonetheless, there is an advantage in following the production method, in that we eliminate the need to make a second and similar assumption (that is, that cost corresponds to value of output), and thus the analysis is situated one level closer to the observable world. The production method also yields useful information about income generated from government activity and its location in the first round.

The major shortcoming of both approaches appears when we move from the static view to a dynamic world in which actions taken today affect economic structures and decisions in the future. Both approaches are particularly inept at handling the

5 Note that our example deals with what some would regard as a disequilibrium situation, in which the same input, labour, is available in two different places at different prices. The implications for the measurement of relative quantities of resources employed by government hold in the general case so long as we do not assume convergence of the system as a whole.

6 Since our observations are in monetary terms not physical units of labour or other resources.

impacts of large discrete capital expenditures. What are the effects on different regions of building the St. Lawrence Seaway or Mirabel Airport? Not only will the initial investment expenditure affect aggregate demand in particular regions and sectors, but private incentives will be changed, affecting investment decisions for many years in the future. Thus while aggregate demand theory may be useful in drawing short-term implications from the spatial configuration of expenditures, if we accept the possibility that governments face policy choices which may not lead to a "socially optimal" course of action, it is not so easy to provide measurement or analysis of the structural and long-term impacts of government activity. We do not claim to answer such questions, but we are prepared to launch the discussion with a hard look at where federal spending takes place in Canada -- a look which is based so far as possible upon actual disbursements rather than imputed values.

II Coverage of the Data

There are at least three generally accepted methods of measuring government expenditures: the Public Accounts; the Financial Management system used by Statistics Canada in Federal Government Expenditures; and the National Accounts.⁷ While we have drawn upon many sources for our estimates the items we have included correspond most closely to those in the National Accounts definition, and it is against this total that we measure the extent of coverage of our distributions.

⁷ See Statistics Canada, Federal Government Expenditures, Cat. No. 68-211, Tables 13 and 15 for a reconciliation of the three accounting systems.

Total federal expenditures on a National Accounts basis for 1974-75 were \$30,693 million. We have a provincial distribution of \$23,853 million for that year (Appendix Table A-1). Including the \$435 million in transfers to nonresidents, our coverage is about 78 per cent of all expenditures.⁸ Our estimates are not totally consistent with those of the National Accounts, since we have followed the cash-payment rather than accrued-payment principle and have also included expenditures of the Canada and Quebec Pension Plans which are not part of the National Accounts definition. We believe, however, that the overall difference is small.

For more detailed comparisons of the categories of expenditure we have distributed it is convenient to use the Public Accounts standard object expenditures since much of our data is drawn from Public Accounts sources. The following table shows that in the categories for which we have collected data our coverage exceeds 88 per cent (over the three categories), although total coverage is only about 64 per cent. The main reason why coverage is lower when based on Public Accounts than on National Accounts definitions is that most of the activities of funded accounts are excluded from the former.⁹

8 Data for total expenditures and transfers to nonresidents on a National Accounts basis is found in Federal Government Finance, Statistics Canada, Cat. No. 68-211, Table 15.

9 Personal costs other than the wages and salaries could have been allocated on the basis of the wage bill distribution, increasing coverage to 81 per cent on the National Accounts basis and 68 per cent by Public Accounts classifications.

The table also illustrates the Standard Object categories which have not been included in our data. Of the 35.6 per cent of Public Accounts expenditures which have not been allocated, 7.8 percentage points are accounted for by missing transfer payments discussed in the footnote to the table. The other significant components are Public Debt Charges, 12 percentage points; Other Personal Costs, 3.9; Professional and Special services, (mainly contracts) 3.1; Utilities, Materials and Supplies, 2.4; and Transport and Communications, 1.8 percentage points.

Table 1

Federal Expenditures and the Proportion Accounted for in our Distributions, 1974-75

Category	(1) Standard object expenditures by the federal government per Public Accounts vol. I, 10.3 (Millions of dollars)	(2) Comparable totals from our distributions	(3) (2) As a percentage of (1) (Per cent)	(4) Per cent of total standard object expenditures <u>not appearing</u> in our distribution
Salaries and Wages	4,251.6	4,174.2	98.18	0.29
Other Personal Costs	937.5	--	--	3.50
Transport and Communications	484.2	--	--	1.81
Information	71.8	--	--	0.27
Professional and Special Services	833.5	--	--	3.11
Utilities, Materials and Supplies	640.5	--	--	2.39
Rentals	211.5	--	--	0.79
Purchased Repair and Upkeep	245.6	1,273.0	93.46	0.33
Construction and Acquisition of Land, Buildings and Equipment	682.0			
Construction and Acquisition of Machinery and Equipment	434.5			
Grants, Contributions and Other Transfer Payments	13,893.3	11,768.3 ¹	84.70	7.84
Public Debt Charges	3,208.4	--	--	11.99
All Other Expenditures	874.8	--	--	3.27
Total	26,769.2	17,215.0	88.25²	35.60

1 Excluding payments from funded accounts (\$3,444.4 million) which are not part of Standard Object Expenditure, and payments to nonresidents. Transfer payments to nonresidents in the amount of \$434 million are reported in Federal Government Finance, Statistics Canada, Cat. No. 68-211; most of these could be added to our figure, increasing our coverage to about 66 per cent Standard Object Expenditure. Other transfer payments which are missing from our data include transfers to own enterprises (more than \$450 million net of remittances) and transfers to transportation companies (also measuring in the hundreds of millions of dollars), as well as several dozen smaller programs falling under various departmental jurisdictions.

2 Percentage of comparable Standard Object Expenditure only. The percentage of total Standard Object Expenditure is 64.31.

III Description of the Data

1. Total Expenditure and Major Categories of Expenditure

We noted above that for 1974-75 we have distributed \$24 billion of federal expenditures on a National Accounts basis, or, when we exclude the operations of funded accounts (UIC, OAS and pensions), \$17 billion on the basis of the Public Accounts Standard Object classification system. Following the more comprehensive National Accounts definition, our total for 1974-75 is 26 per cent greater than the \$19 billion included in our tables for 1973-74 which, in turn, was 15 per cent greater than the \$16 billion we can account for in the 1972-73 fiscal year.

These totals are broken into five major categories according to two criteria: economic classification (payments for goods and services; transfers), and recipient (other levels of government; persons; business).

The shares of the spending categories varied little over the three-year period. Transfers to other levels of government made up about one-third of our totals; the Federal Wage Bill including military personnel stationed in Canada, but excluding commercial Crown corporations, was 18 per cent; Transfers to Persons were nearly 40 per cent of the total; Grants, Contributions and Subsidies to Business were 3.6 per cent;¹⁰ and Capital and Repair Expenditures about 5 per cent.

¹⁰ Not including transfers to the federal government's own enterprises or transportation subsidies.

Table 2

Expenditures and Shares of Major Spending Categories,
1972-73, 1973-74, and 1974-75

Category	Expenditures			Average Share		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
	(Millions of dollars)			(Per cent)		
Transfers to other levels of government	5,423.9	6,282.0	7,999.2	-----	.3362	-----
Federal wage bill	3,167.6	3,268.0	4,145.7	-----	.1818	-----
Transfers to or in respect of persons	6,385.5	7,444.8	9,186.2	-----	.3934	-----
Grants, contributions and subsidies to business	439.4	647.8	1,089.7	-----	.0359	-----
New capital and repairs	846.0	1,035.0	1,201.1	-----	.0528	-----
Total	16,261.7	18,677.6	23,622.0	-----	1.00	-----

Source Appendix Table A-1.

2. Provincial Distribution of Total Expenditure

(1) Measurement of Relative Expenditure

In comparing federal expenditure between provinces or regions, we are not only concerned with absolute dollar amounts but frequently with questions of the proportion of these expenditures to the number of persons in different places. Thus more information is conveyed by the fact that federal transfers to persons amounted to \$384 per capita to residents of Ontario compared with \$520 per capita to residents of Nova Scotia in 1974-75, than that the absolute transfers were \$3.1 billion and \$0.4 billion.

Standardizing our dollar measures by another variable such as population, makes sense whenever comparisons are made between areas as disparate as the Canadian provinces in terms of size, population and economic activity. The choice of a variable to use as the standard depends on the questions being asked of the data. For example, if we were assessing manpower mobility or DREE industrial development policies it might make sense to evaluate federal efforts in relation to some criterion of need, such as unemployment or income. For other programs, say general industrial incentives or tariffs, we might choose another measure of economic activity such as provincial product as our standardization variable.

Our choice of a standardization variable is also influenced by the requirement that the measurement standard should be as independent as possible from the phenomena we wish to investigate. Thus in a Keynesian world, where government intervention affects the level of activity in the economy, we might not want to use provincial product as our standard for comparison across provinces, since we expect it to be responsive to the distribution of government expenditures.

In our tables (Appendix B) and in the comparative discussion which follows, we have chosen to adopt population as our standardization variable. This is done because we are dealing with many different programs and types of expenditure which may relate to social as well as economic policy objectives. It is also felt that in the short run at least it is perhaps the most independent of federal expenditure of all the possible candidates.

(2) Relative Per Capita Expenditure between Provinces

Our distributions show average federal expenditure ranging from \$747/capita for the ten provinces in 1972-73 to \$1055/capita in 1974-75.¹¹ Expenditure was substantially above these averages in the four Atlantic provinces by amounts ranging from 34 per cent in Newfoundland, to 68 per cent in Prince Edward Island (Table 3). Manitoba and Saskatchewan also received more than the national per capita average; however, the differences were only 7 and 5 per cent, respectively -- much less than in Atlantic provinces.

The two most western provinces received the lowest per capita federal expenditures, with Alberta at 12 per cent below average and British Columbia at 9 per cent below. Ontario was 7 per cent below average, while Quebec received just less (1.5 per cent) than the ten-province average.

The data on per capita expenditures by province found in Appendix B shows that there were some changes over the three-year period in the position of several provinces relative to the ten-province average. There was very little variation, however, in the ranking of provinces, and in any event three years is too short a time to draw conclusions about trends in relative provincial receipts. Table 3 of the text thus presents a fairly

¹¹ The ten-province per capita average is calculated as:

$$\frac{\sum_{i=1}^{10} \text{Expenditures}}{\sum_{i=1}^{10} \text{Population}}$$

Subsequent references to the "national per capita average" refer to the same statistic.

good indication of recent provincial standings with respect to the components of federal spending for which we have data.

Table 3

Relative Per Capita Expenditures Between Provinces, 1972-73 to 1974-75

Provinces	Percentage of ten-province average per capita expenditure ¹ 1972-73 to 1974-75	Rank of provinces (highest = 1)
Newfoundland	133.6	4
Prince Edward Island	167.6	1
Nova Scotia	155.4	2
New Brunswick	135.5	3
Quebec	98.5	7
Ontario	93.0	8
Manitoba	107.4	5
Saskatchewan	105.3	6
Alberta	88.5	9
British Columbia	90.7	10
10-Provinces	100.0	

1 The 10-province average per capita expenditure is calculated as

$$1/3 \frac{\sum_{t=1972-73}^{1974-75} \sum_{i=1}^{10} \text{Expenditure}_t}{\sum_{i=1}^{10} \text{Population}_t}$$

3. Sources of Variation Among Provinces

Provincial receipts of federal expenditures vary partly because the categories of expenditure are distributed differently across provinces and partly because the relative importance of categories in the total varies. Sources of provincial differences from the national per capita average may be expressed as a summary index such as the one appearing in Table 4.

The table is constructed on the basis of three-year averages. The first row shows total expenditures as a percentage difference from the national per capita average -- directly derived from the first column of Table 3. The next five rows are the weighted percentage differences from the national per capita average for each category within the total. The weights are the average share of the category in the total at the national level (Table 2). Thus two items of information are combined to yield the cells of Table 4. The first is the variation among provinces within a category (row); the second is the importance of the category in the national total. The cells in the table may be converted into per capita dollar differences by taking the entries as a percentage of the average total per capita expenditure over the three-year period (second last column). Comparisons can be made directly between any two cells and will be in the same proportion as the underlying average per capita dollar differences which result from the combined effect of the two factors. For example, Transfers to Other Levels of Government in Ontario accounted for a shortfall of federal expenditures in

Table 4

Index¹ of Provincial Variation from Total Per Capita Expenditures, Major Categories, Average 1972-73, 1973-74 and 1974-75

	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Average Total Per Capita Expenditures 10-Provinces	Weight of Category
Total	33.6	67.6	55.4	35.5	- 1.5	- 7.0	7.4	5.3	- 11.5	- 9.3	883	1.000
Transfers to Other Levels of Government	28.6	36.0	16.2	19.0	8.2	- 9.7	5.6	9.0	- 2.5	- 11.7		.3362
Federal Wage Bill (general government)	- 5.6	6.1	26.7	2.8	- 8.3	4.9	1.1	- 5.4	- 2.0	- 1.1		.1818
Transfers to or in Respect of Persons	10.3	18.8	10.8	11.3	- 1.2	- 2.4	0.3	- 0.6	- 6.9	6.5		.3934
Grants, Contributions and Subsidies to Business	- 1.3	5.2	- 0.5	1.5	0.6	--	- 0.2	2.4	- 0.5	- 2.2		.0359
New Capital and Repair	1.4	2.6	2.3	0.5	- 0.7	--	1.0	0.1	0.4	- 0.7		.0528

1 Index = three-year average difference from the 10-province per capita average in each category multiplied by the three-year average weight of the category in the 10-province total per capita expenditures.

Source Calculated from Appendix B.

that province of 10 percentage points of total per capita expenditure¹² -- 1.5 per cent more than the amount (per capita) it contributed to Quebec, and about twice as much as the above average contribution of the per capita wage bill in Ontario.

The advantage of our summary index is that not only can we make comparisons between provinces, within a category, but since the categories are weighted, we also have a direct measure of the relative importance of the categories in the shortfall or excess of total per capita receipts for each province relative to the national total. The index does, however, focus on differences between provinces and categories so that if we are interested in absolute size we would be better to work with the raw data as found in Appendixes A and B.

Transfers to Other Levels of Government contributed the most variation and, in general, set the direction of provincial differences from total national per capita expenditures. The major exception to this tendency occurred in the case of Quebec, where transfers to government are large and positive relative to the ten-province average; but total federal expenditures were less than average. The explanation is that federal wages and salaries paid in Quebec were substantially below average, offsetting the effect of higher transfers.¹³ In Nova Scotia the above average per capita wage bill contributed more than the higher transfers to the province, making total expenditures come

12 That is, total per capita expenditures across all provinces.

13 We should be aware, however, that the negative influence of wages and salaries in Quebec is probably overstated, since the wage bill of Quebec residents employed in Ottawa is allocated exclusively to Ontario.

out some 55 per cent above average. In the case of Alberta, below average transfers to persons contributed most strongly to the province's relative standing.

Within the Transfers to Other Levels of Government category, equalization payments, which totaled \$1.8 billion in 1974-75, varied from zero in Ontario, Alberta and British Columbia to more than \$500 per capita in Nova Scotia and New Brunswick and to \$700 per capita in Prince Edward Island and Newfoundland. Similar differences existed in other years and accounted for most of the observed variation in the total category (Appendix Table B-2). Other components of Transfers to Governments, mainly cost-shared programs such as health, postsecondary education, and welfare, tended to vary by less, but in the same direction as equalization payments. Exceptions were Nova Scotia and Saskatchewan, where these programs yielded less than average, while equalization payments were above average. In 1974-75, but not in other years, Alberta received more than average from these programs, but no equalization payments.

The Federal Wage Bill made the largest per capita contribution to Nova Scotia, contributing nearly half of the amount by which total federal expenditures were above average in that province. The excess over the national average was about five times as great on a per capita basis in Nova Scotia as in Ontario. Prince Edward Island ranked next to Nova Scotia in per capita receipts of federal wages and salaries, followed by Ontario. Despite Prince Edward Island's high rank relative to other provinces in this category, wages and salaries contributed

less than one-tenth the amount by which receipts in Prince Edward Island were above the national average (Table 4). In Ontario, however, federal wages and salaries were by far the largest above average category, offsetting half the province's shortfall in the transfers to government category. The Federal Wage Bill also made positive contributions to New Brunswick and Manitoba; however, as in the case of Prince Edward Island, the amounts were only a small proportion of their overall positive position in all categories.

Those provinces receiving less than the national average in wages and salaries were British Columbia, Alberta, Saskatchewan, Newfoundland, and Quebec. British Columbia's shortfall was about 12 per cent of the province's overall negative standing. In Alberta the wage bill contributed 17 per cent to the province's net negative standing in all categories. The shortfall in wages and salaries in Saskatchewan offset 60 per cent of the province's gain from transfers to governments. In Newfoundland the below average federal wage bill offset about one-fifth of the above average transfers to government. The negative influence of the wage bill in Quebec more than offset positive transfers to governments over the period.¹⁴

In the Transfers to Persons category the provinces ranked quite similarly to their ranking in Transfers to Other Levels of Governments, although the variation among provinces was only about half as great, so that the category was much less important in influencing the distribution of total expenditures. The Atlantic provinces received the highest per capita Transfers

14 No allowance has been made for the caveat noted in Footnote 13.

to Persons, and these transfers contributed about one-fifth of Nova Scotia's total positive receipts and about 30 per cent of Newfoundland's, New Brunswick's and Prince Edward Island's. British Columbia ranked next to the Atlantic region in per capita receipts of Transfers to Persons. This was the only category in which British Columbia received more than the national average. Its positive influence offset more than half of the below average receipts in Transfers to Governments. Manitoba and Saskatchewan received close to the national average, while Alberta was substantially below. In fact, the shortfall of Transfers to Persons accounted for 60 per cent of Alberta's total shortfall in all categories. Quebec and Ontario also received below average Transfers to Persons.

Grants, Contributions and Subsidies to Business is not an easy category to assess in the summary fashion we have been pursuing in this section. It contains Oil Import Compensation payments which, among other conceptual problems,¹⁵ shows payments by head office of firms which are not necessarily located where the refining operations to which they apply are found. The category also contains agricultural subsidies which, not surprisingly, are minimal in British Columbia and Newfoundland (which have very little agricultural land), and are high on a per capita basis in Saskatchewan (wheat) and Prince Edward Island (potatoes). Industrial Assistance Programs tend to vary considerably from year to year among the Atlantic provinces; Ontario always received more than the national per capita average, while in two of the three years British Columbia and Quebec received more than the average.

15 See detailed sources and calculations in Appendix C.

Very little of the industrial assistance expenditures went to the Prairie provinces. DREE Transfers to Business were greatest in Nova Scotia and New Brunswick, with Manitoba and Quebec also receiving more than the per capita average. The final component in the category is Canada Manpower Industry Training grants, which are small and vary according to unemployment rates.

New Capital and Repairs again comprises a small share of total expenditures. The Atlantic and Manitoba received more than the national average, while Quebec and British Columbia were below average. Ontario, Saskatchewan and Alberta were at or not much different from the national per capita average.

IV Impact of Expenditures on Regional Disparities

There is no unambiguous method for determining the present or past impact of government expenditures on relative income and employment levels in the provinces. The assessment of effects depends upon being able to determine what would have occurred in the absence of government spending or under a different distribution of expenditures from the one we have observed. It is possible, however, to make some comparisons between the size of expenditure categories and the size of income disparities in order to gain a greater appreciation of the relative magnitudes (in a static sense) of the regional problem and programs which are in part intended to provide a solution. We can also, with the aid of Interprovincial Input-Output Tables,¹⁶ make a first approximation to what probably would have occurred had expenditures been distributed differently.

16 R. Zuker, op. cit.

We will relate the results of an example of each of these exercises as they apply to data from our estimates for the 1974-75 fiscal year.

1. Transfers and Income Differences

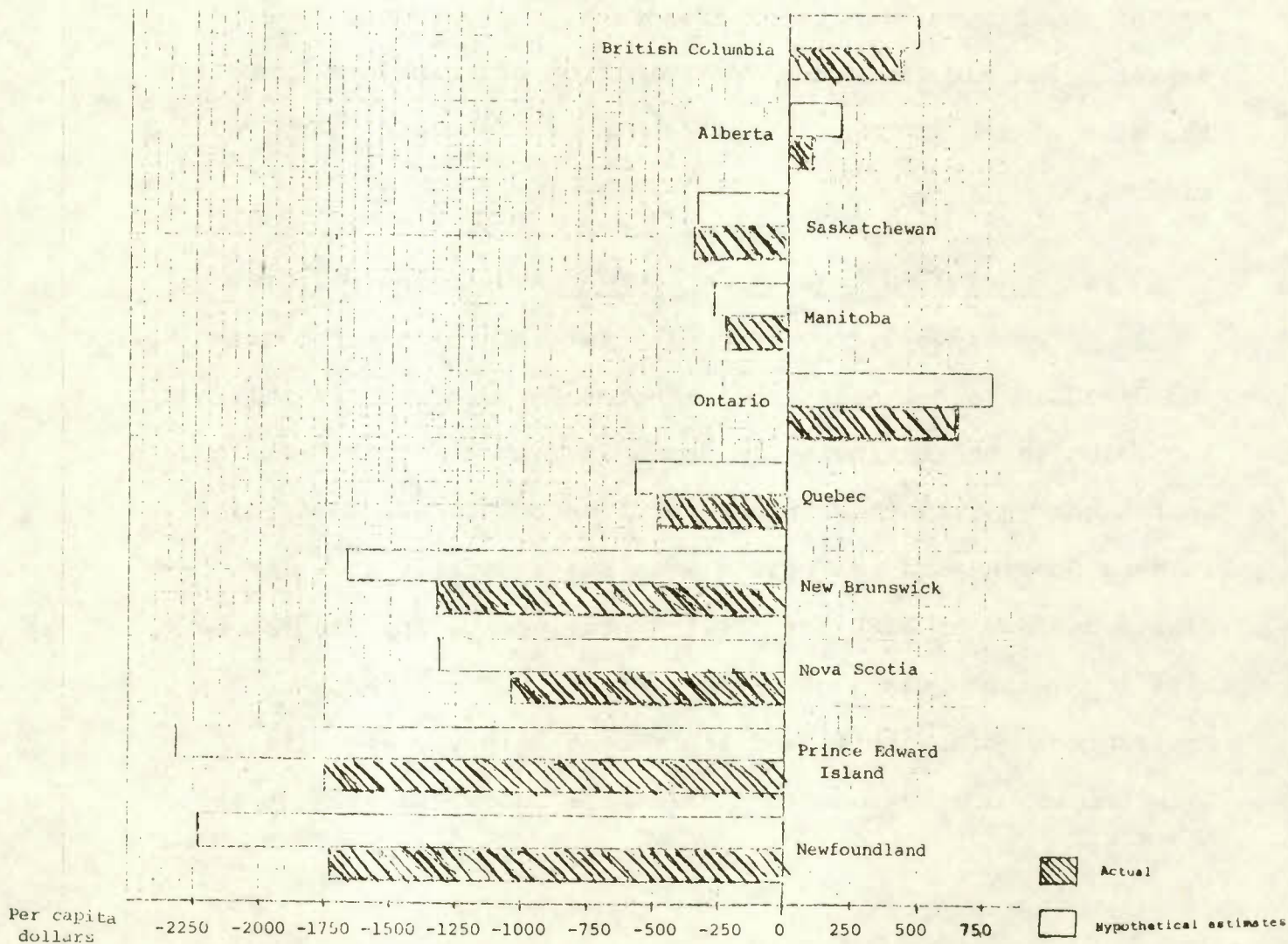
Federal government transfers to other levels of government and to persons, accounted for more than 10 per cent of the gross national product in recent years. The Atlantic region has received more from these programs than its share in the Canadian population, while the richer provinces of Ontario, Alberta and British Columbia have received less. We have noted that equalization payments are largely responsible for the shape of the distribution of transfers to governments; however, other programs including many applying to individuals have regionally differentiated effects. An example of the latter is unemployment insurance, where per capita benefits by province vary mainly with unemployment rate and, to some extent, with wage rates. Thus we will consider the entire package of transfer programs to governments and persons as reported in Appendix Tables B-2 and B-3 for fiscal year 1974-75.

On the assumption that a transfer dollar is equal to a dollar in personal income, the open bars on Chart 1 illustrate the hypothetical differences in per capita personal income among provinces which would have existed had transfers been distributed on an equal per capita basis.

By comparison the shaded bars show actual differences from the Canadian average of per capita income from all sources. In fact, there will be income leakages between provinces, and income and employment multipliers which are not taken into account. In part these effects will be offsetting and in any event we expect them to be small relative to the equalizing influence transfers have had on provincial income gaps.

Chart 1

Actual Differences in Per Capita Personal Income, and Differences which Would Have Existed if Federal Transfers to Other Levels of Government and to Persons Had Been Distributed on an Equal Per Capita Basis, by Province, 1974-75



Source Calculations based on Statistics Canada, Cat. No. 13-201, (Personal Income), Cat. No. 91-001 (Population); and Appendix Tables B-2 and B-3 (Transfers).

Our chart indicates that income disparities would have been greater had the federal government transferred money solely in proportion to population. The reduction in absolute terms was greatest in the Atlantic Provinces and was sufficient to eliminate more than 20 per cent of the gap which would have existed if transfers had been distributed on an equal per capita basis. The effects of the actual distribution compared to our hypothetical equal per capita distribution were less dramatic in the rest of Canada. Personal incomes in Quebec and Manitoba were moved about 15 per cent closer to the national average by the share of transfers they received, while the richer provinces of Ontario, Alberta and British Columbia would have been even better off in the absence of the equalizing effects of transfers. Only in the case of Saskatchewan did the actual distribution of transfers increase the size of the income disparity; however, the amount involved was minimal.

2. Federal Government Employment and Income Differences

In 1974-75, the wage bill for general government workers and Canadian Forces personnel amounted to more than \$4 billion. According to the estimates in Appendix Table B-3, 1974-75, government wages and salaries in the Maritime provinces, particularly in Nova Scotia and in Ontario were substantially above the per capita average of \$185 for the ten provinces. The federal wage bill in Manitoba was just above average, while Alberta and British Columbia were 11 and 8 per cent below, respectively. Saskatchewan and Newfoundland fall well below average (26 and

30 per cent). Quebec received the smallest per capita amount, -45 per cent below average.¹⁷

It is of some interest to enquire what kinds of effects a policy of redistributing federal employment could have in reducing disparities in unemployment and income. The redistribution we will examine is one which would give the provinces an equal per capita share of federal wages and salaries. We then use the DREE Input-Output matrices to estimate the total income effect this will have, after allowance has been made for successive spending rounds and employment multiplier effects to work through. If there is sufficient slack in the labour markets into which federal employment is shifted to absorb the additional workers without bidding labour away from other enterprises, and if the wage-employment elasticities in both the sending and receiving regions are relatively constant over the range of the changes we make, then the results of the exercise will be a good approximation of the income effects of the redistribution. The results are shown in Table 5.

The figures in the first row show how much more or less each province received in 1974-75 in federal wages and salaries than it would get on an equal per capita distribution. Thus Ontario, for example, got \$429 million more federal wages and salaries than it would with an equal distribution, and Quebec \$509 million less.

17 Again we note that the wage bill is distributed by province of employment, not residence. Because of living and employment patterns in the Ottawa-Hull area we would expect a net transfer from Ontario to Quebec if we could convert the figures to the latter basis.

Table 5

Comparison of Present Distribution of Federal Wage Bill with a Distribution on an Equal Per Capita Basis, by Province

	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Ten Provinces	
Excess or deficit of current wage bill over equal per capita distribution (millions of dollars)	-29.8	6.6	207.2	11.7	-509.4	429.0	1.6	-44.0	-36.5	-36.3	0
Estimated impact on total provincial income of excesses or deficits in row 1 (millions of dollars)	-38.4	9.4	274.6	17.6	-707.6	598.0	2.3	-58.7	-53.4	-51.2	-7.1
Row 2 divided by present provincial population (dollars)	- 71	80	338	27	- 115	74	2	- 65	- 31	- 21	0

Source Calculated from R. Zuker, "An Interprovincial Input-Output Model, Version III, Economic Analysis Division, Department of Regional Economic Expansion, May 1976; and "The Provincial Distribution of Federal Expenditure," Economic Council of Canada, Working Paper, December, 1976.

The second row shows the estimated effect the first row had on total income after allowing for all multiplier effects (including interprovincial linkages) and, therefore, indirectly on employment, and perhaps on the unemployment rate.¹⁸ Thus Ontario's income is estimated to have been \$598 million higher than it would have been under an equal per capita distribution, and Quebec's \$708 million lower.

The third row converts the results of the second row to per capita values. It shows that Ontario's gain as compared with the equal per capita distribution is \$74 per capita and Quebec's loss \$115. The fact that the actual distribution of federal wages and salaries was different from an equal per capita distribution may well have been partly responsible for Newfoundland's shortfall from the Canadian average in per capita income and its higher than average unemployment rate, while it may also have prevented the other Atlantic provinces from being worse off than they were. The three western provinces, like Quebec and Newfoundland, had lower per capita incomes than they would have with an equal distribution.

V. Conclusion

This paper has set out a methodology for allocating a large share of federal expenditures on a geographical basis, and presented estimates of the provincial distribution of transfer payments, wages and salaries and capital expenditures for three fiscal years.

18 We say perhaps, since it is conceivable that employment changes will be met with changes in migration or participation rates which will leave the unemployment rate unchanged.

In examining the data we find that the Atlantic region receives the highest per capita share of federal money; however, much of it is in the form of transfer payments, and we have no evidence on whether the region receives more or less than its per capita share of interest on the public debt, and government purchases of goods and professional services for which we have not made estimates.

We have also taken a small step towards analysing the impact of federal expenditures on regional disparities; however, we recognize that much work remains to be done in this area, including refinement of theoretical approaches to analysis of failures and possibilities for policy designed to overcome persistent regional imbalances in employment and income opportunities.

APPENDIX A

APPENDIX A

Millions of Dollars
The Distribution of Federal Government Expenditures
by Province, 1972-73, 1973-74 and 1974-75

- Table 1 -- Summary of Federal Government Expenditures,
1972-73, 1973-74 and 1974-75
- Table 2 -- Federal Transfers to Provinces and Local
Governments, 1972-73, 1973-74 and 1974-75
- Table 3 -- Federal Government Wage Bill, 1972-73, 1973-74
and 1974-75
- Table 4 -- Transfers to or in Respect of Persons, 1972-73,
1973-74 and 1974-75
- Table 5 -- Grants, Contributions, and Subsidies to Business,
1972-73, 1973-74 and 1974-75
- Table 6 -- Federal New Capital and Repair Expenditures,
1972-73, 1973-74 and 1974-75

Source See Appendix C

Table 1

Summary of Federal Government Expenditures, 1972-73, 1973-74 and 1974-75
(Millions of dollars)

	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Ten-Province Total	Yukon and Northwest Territories
Total, 1974-75	812.9	194.8	1,288.6	971.9	6,556.5	7,961.5	1,086.6	919.5	1,566.9	2,262.9	23,622.0	(231.6)
Transfers to Other Levels of Government	380.2	83.2	418.7	372.1	2,827.1	2,036.7	410.6	323.1	573.6	573.9	7,999.2	111.3
Federal Government Wage Bill	70.7	28.2	357.8	134.2	626.4	1,927.7	188.8	123.9	280.9	407.2	4,145.7	(28.5)
Transfers to or in Respect of Persons	297.5	71.5	422.7	354.1	2,503.6	3,105.4	400.3	359.9	554.0	1,117.2	9,186.2	(19.6)
Grants, Contributions, and Subsidies to Business	27.4	4.1	21.0	72.7	317.4	464.3	29.5	61.0	51.6	40.7	1,089.7	0.4
New Capital and Repair	37.1	7.8	68.4	38.8	282.0	427.4	57.4	51.6	106.8	123.9	1,201.1	71.8
Total, 1973-74	610.3	166.8	1,068.8	741.1	5,104.2	6,166.3	926.5	835.5	1,300.1	1,757.9	18,677.6	(185.8)
Transfers to Provinces and Local Governments	285.5	69.4	350.8	288.5	2,144.6	1,539.8	340.0	355.0	487.9	420.5	6,282.0	97.1
Federal Government Wage Bill	59.0	22.8	296.7	115.9	514.7	1,472.0	168.2	92.0	218.4	308.3	3,268.0	(21.4)
Transfers to or in Respect of Persons	230.1	58.0	346.9	284.3	1,975.7	2,517.6	344.2	306.5	467.0	914.4	7,444.8	(15.2)
Grants, Contributions, and Subsidies to Business	4.8	8.7	20.5	19.2	212.8	248.6	21.8	39.6	47.3	24.5	647.8	0.3
New Capital and Repair	30.9	7.9	53.9	33.2	256.4	388.3	52.3	42.4	79.5	90.2	1,035.0	51.8
Total, 1972-73	499.9	146.5	944.7	640.0	4,313.0	5,489.4	822.3	761.1	1,084.9	1,559.9	16,261.7	(155.7)
Transfers to Provinces and Local Governments	231.1	59.2	291.8	251.8	1,820.5	1,451.4	287.9	328.4	340.2	361.2	5,423.7	87.3
Federal Government Wage Bill	49.7	22.4	293.4	110.2	460.6	1,443.2	150.1	94.1	218.2	325.8	3,167.6	(21.8)
Transfers to or in Respect of Persons	185.3	48.1	298.7	238.0	1,680.5	2,164.0	301.2	265.0	421.4	783.0	6,385.5	(2.9)
Grants, Contributions, and Subsidies to Business	6.2	9.0	19.2	12.6	144.9	124.8	29.7	39.1	35.3	18.5	439.4	0.1
New Capital and Repair	27.6	7.8	41.6	27.4	206.5	306.0	53.4	34.5	69.8	71.4	846.0	39.7

Table 2

Federal Transfers to Provinces and Local Governments, 1972-73, 1973-74 and 1974-75
(Millions of dollars)

	Prince Edward Island							New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Ten-Province Total	Yukon and Northwest Territories
	Newfoundland	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan									
Total, 1974-75	380.2	418.7	372.1	2,827.1	2,036.7	410.6	323.1	573.6	7,999.2	111.3						
To Provinces:																
Unconditional Grants	376.9	412.0	370.3	2,798.4	1,983.1	403.8	320.5	565.9	7,874.7	110.7						
Equalization	208.9	233.9	191.6	1,093.1	227.9	156.4	117.8	156.6	2,462.2	94.9						
Other	186.6	215.8	172.9	974.7	--	122.0	82.4	--	1,795.0	--						
Other	22.3	18.1	18.6	118.3	227.9	34.4	35.4	156.6	667.2	94.9						
Conditional Grants	168.0	178.1	178.7	1,705.3	1,755.2	247.5	202.6	409.2	5,411.9	15.2						
Health	68.3	89.9	74.6	781.4	934.4	120.4	104.1	203.7	2,658.3	8.2						
Postsecondary Education	13.5	35.7	18.9	402.3	447.2	42.6	35.9	110.5	1,211.7	--						
Welfare	34.9	7.1	32.0	396.6	320.0	52.5	35.6	70.1	1,125.6	6.9						
Other	51.3	16.6	48.2	124.9	53.5	32.0	27.0	24.9	416.3	0.1						
To Local Governments	3.3	0.5	1.8	28.7	53.6	6.8	2.6	7.7	124.5	0.6						
Total, 1973-74	285.5	350.8	288.5	2,144.6	1,539.8	340.0	355.0	487.9	6,282.0	97.1						
To Provinces:																
Unconditional Grants	281.8	341.1	285.8	2,110.6	1,487.5	331.3	351.7	479.0	6,136.5	96.1						
Equalization	168.5	191.3	149.2	700.5	42.8	131.2	184.5	136.7	1,751.7	85.3						
Other	156.0	189.6	143.8	688.4	--	123.2	164.1	--	1,500.1	--						
Other	12.5	1.7	5.4	12.0	42.8	7.9	20.4	136.7	251.6	85.3						
Conditional Grants	113.3	149.9	136.7	1,410.1	1,444.7	200.1	167.2	342.3	4,384.8	10.8						
Health	61.1	75.2	78.2	626.4	784.1	107.1	89.3	175.9	2,207.4	7.1						
Postsecondary education	12.3	35.7	16.9	334.8	408.5	38.8	30.2	100.4	1,066.2	--						
Welfare	26.0	28.4	32.3	320.9	214.2	39.8	36.2	55.1	842.2	3.1						
Other	13.8	7.6	23.7	128.1	37.9	14.4	11.5	10.9	269.0	0.5						
To Local Governments	3.8	9.7	2.7	34.0	52.3	8.7	3.3	8.9	145.6	1.0						
Total, 1972-73	231.1	291.8	251.8	1,820.5	1,451.4	287.9	328.4	340.2	5,423.7	87.3						
To Provinces:																
Unconditional Grants	227.6	286.1	249.3	1,794.3	1,397.2	281.3	324.5	331.5	5,300.3	86.6						
Equalization	127.1	152.8	129.4	519.3	49.4	94.6	176.9	22.9	1,306.2	75.5						
Other	114.4	146.6	125.2	501.9	--	89.8	173.6	--	1,176.8	--						
Other	12.6	6.2	4.2	17.4	49.4	4.8	3.3	22.9	129.4	75.5						
Conditional Grants	100.5	133.2	119.8	1,275.0	1,347.8	186.7	147.6	308.7	3,994.1	11.1						
Health	51.9	71.0	58.6	576.7	727.4	100.2	85.0	159.3	2,028.8	6.9						
Postsecondary education	11.6	28.2	15.8	291.5	371.9	37.5	26.1	89.8	950.0	--						
Welfare	26.2	22.7	24.1	304.3	210.9	36.5	29.2	53.8	783.6	1.6						
Other	10.9	11.4	21.4	102.7	37.6	12.5	7.4	5.8	231.7	2.6						
To Local Governments	5.3	0.7	2.6	26.2	54.1	6.6	3.9	8.7	123.5	0.7						

Table 3

Federal Government Wage Bill, 1972-73, 1973-74 and 1974-75
(Millions of dollars)

	Prince										Ten- Province Total	Yukon and Northwest Territories	Outside Canada
	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskat- chewan	Alberta	British Columbia			
<i>Budgetary, 1974-75</i>	70.7	28.2	357.8	134.2	626.4	1,927.7	188.8	123.9	280.9	407.2	4,145.7	(28.5)	(4.0)
Public Service	62.0	15.2	218.0	87.8	524.4	1,652.1	144.8	106.0	196.6	317.2	3,324.1	28.5	42.8
Canadian Forces	8.6	13.0	139.8	46.5	102.0	275.6	44.0	17.9	84.3	90.0	821.6	(--)	(--)
Government Enterprises	68.1	9.4	54.8	80.7	470.1	465.2	143.0	53.1	87.3	98.1	1,592.8	18.1	107.5
<i>Budgetary, 1973-74</i>	59.0	22.8	296.7	115.9	514.7	1,472.0	168.2	92.0	218.4	308.3	3,268.0	(21.4)	(35.6)
Public Service	51.2	11.2	165.7	73.7	423.2	1,220.5	127.3	76.8	139.3	224.9	2,513.9	21.4	35.6
Canadian Forces	7.8	11.6	131.0	42.2	91.5	251.5	40.9	15.2	79.0	83.4	754.1	73.8	
Government Enterprises	52.3	7.1	46.3	60.0	376.5	374.4	113.4	42.3	64.5	75.2	1,211.9	13.4	106.3
<i>Budgetary, 1972-73</i>	49.7	22.4	293.4	110.2	460.6	1,443.2	150.1	94.1	218.2	325.8	3,167.6	(21.8)	(31.2)
Public Service	41.9	10.8	162.3	68.0	369.0	1,191.7	109.2	78.9	139.1	242.4	2,413.4	21.8	31.2
Canadian Forces	7.8	11.6	131.0	42.2	91.5	251.5	40.9	15.2	79.0	83.4	754.1	73.8	
Government Enterprises	40.0	6.4	42.0	58.5	347.1	340.7	109.2	38.5	59.0	71.3	1,112.7	10.4	98.9

Table 4

Transfers to or in Respect of Persons, 1972-73, 1973-74 and 1974-75
(Millions of dollars)

	Newfoundland		Prince Edward Island		Nova Scotia		New Brunswick		Quebec		Ontario		Manitoba		Saskatchewan		Alberta		British Columbia		Ten-Province Total		Yukon and Northwest Territories		Outside Canada		
	297.5	71.5	422.7	354.1	2,503.6	3,105.4	400.3	359.9	554.0	1,117.2	9,186.2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
A. Budgetary																											
Family and Youth Allowances	56.0	10.2	68.8	58.8	496.6	637.4	81.3	76.2	148.1	1,817.5	6.6	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Veterans' Pensions and Allowances	14.8	6.8	38.6	26.0	56.1	156.8	32.4	19.0	32.5	73.8	456.9	25.4	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Manpower Training and Mobility	8.6	2.1	9.7	8.0	50.9	50.4	7.3	6.3	10.9	17.7	172.0	1.2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	9.0	1.7	10.4	7.4	47.5	25.3	4.0	4.1	6.3	13.4	129.2	0.8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
B. Payments from Funded Accounts																											
Old Age Security and Guaranteed Income Supplement	73.1	25.9	148.3	112.9	863.9	1,206.8	189.2	183.1	236.8	401.3	3,441.3	3.1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Unemployment Insurance	125.6	19.9	100.3	115.9	803.6	676.0	47.4	44.9	65.5	314.6	2,313.6	0.7	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Pensions	1.8	1.1	8.9	5.2	25.9	75.3	6.4	4.2	7.8	22.5	159.1	0.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Public Service	0.7	1.3	14.3	5.5	13.5	62.2	6.6	2.1	13.0	31.8	151.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Canadian Forces	8.0	2.4	23.3	14.5	145.6	215.2	25.6	20.0	33.2	57.8	545.5	0.7	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Canada and Quebec Pension Plans																											
Total of Detail Shown, 1973-74	230.1	58.0	346.9	284.3	1,975.7	2,517.6	344.2	306.5	467.0	7,444.8	(18.6)																
A. Budgetary																											
Family and Youth Allowances	30.9	5.8	38.5	32.6	258.2	355.4	45.2	43.0	81.9	100.9	992.3	3.5	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Veterans' Pensions and Allowances	12.5	5.7	32.9	21.8	47.7	137.4	28.3	16.5	27.8	65.2	395.8	(--)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Manpower Training and Mobility	8.6	2.1	9.0	7.7	50.6	46.3	7.0	6.6	11.1	15.6	164.5	1.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	9.9	2.2	15.8	11.0	73.7	37.4	7.0	6.2	9.9	23.6	196.7	4.7	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
B. Payments from Funded Accounts																											
Old Age Security and Guaranteed Income Supplement	64.2	23.1	131.5	99.6	756.0	1,064.0	168.2	164.2	209.1	351.9	3,031.8	2.7	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Unemployment Insurance	96.3	15.4	82.8	92.4	648.3	604.7	59.3	50.4	86.3	270.0	2,005.8	5.9	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Pensions	1.5	0.9	7.7	4.5	22.4	65.2	5.6	3.6	6.8	19.5	137.6	0.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Public Service	0.6	1.1	12.2	4.6	12.4	56.5	5.8	5.8	11.1	28.0	134.1	0.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Canadian Forces	5.7	1.7	16.6	10.3	106.5	150.8	17.7	14.1	23.1	39.8	386.2	0.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Canada and Quebec Pension Plans																											
Total of Detail Shown, 1972-73	185.3	48.1	298.7	238.0	1,680.5	2,164.0	301.2	265.0	421.4	783.0	6,385.8	(8.9)															
A. Budgetary																											
Family and Youth Allowances	19.0	3.5	24.0	20.3	152.9	220.2	28.2	27.4	50.7	61.7	607.9	2.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Veterans' Pensions and Allowances	10.0	4.5	26.8	17.8	39.0	112.6	23.3	13.5	22.5	53.3	323.3	(--)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Manpower Training and Mobility	7.4	2.3	9.0	7.9	50.8	49.8	6.8	6.8	10.9	13.3	165.0	0.7	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	10.3	2.3	18.4	12.6	93.5	43.5	8.8	8.3	15.0	25.0	237.8	1.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
B. Payments from Federal Accounts																											
Old Age Security and Guaranteed Income Supplement	54.5	19.7	110.7	84.0	628.0	881.4	141.3	138.9	173.8	289.7	2,522.0	2.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Unemployment Insurance	78.2	12.7	79.9	80.0	619.2	637.4	69.8	55.2	115.8	269.5	2,017.7	1.8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Pensions	1.3	0.8	6.7	3.9	19.5	56.6	4.8	3.1	5.9	16.9	119.6	0.2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Public Service	0.5	1.1	10.9	4.1	10.9	50.7	5.2	1.7	9.8	24.7	119.5	0.2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Canadian Forces	4.1	1.2	12.5	7.3	66.7	111.7	13.0	10.7	16.9	28.8	273.0	0.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Canada and Quebec Pension Plans																											

Table 5

Grants, Contributions, and Subsidies to Business, 1972-73, 1973-74 and 1974-75
(Millions of dollars)

	Prince Edward Island							Yukon and Northwest Territories				
	Newfoundland	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan		Alberta	British Columbia	Terrace Province Total	
<i>Total of Programs Shown, 1974-75</i>	27.4	4.1	21.0	72.7	317.4	464.3	29.5	61.0	51.6	40.7	1,089.7	0.4
EMR: Oil Import Compensation Program	21.7	--	--	55.9	114.7	272.5	--	--	0.3	2.1	467.2	--
IT&C Industrial Assistance Programs	2.6	--	7.9	7.3	39.0	72.0	0.9	0.2	1.9	26.8	158.7	--
Agriculture	--	3.5	1.9	1.9	116.4	101.0	21.9	57.8	46.0	6.7	357.1	--
DREE	1.5	0.3	9.0	5.8	36.2	7.0	5.6	1.7	1.9	0.7	69.7	--
M&I: CM Industry Training Program	1.5	0.3	2.2	1.7	11.1	11.7	1.1	1.3	1.6	4.5	36.9	0.4
<i>Total of Programs Shown, 1973-74</i>	4.8	8.7	20.5	19.2	212.8	248.6	21.8	39.6	47.3	24.5	647.8	0.3
EMR: Oil Import Compensation Program	--	--	--	6.6	37.5	112.1	--	--	--	1.2	157.4	--
IT&C Industrial Assistance Programs	2.6	4.6	3.4	0.1	44.2	70.4	1.2	0.1	2.5	14.2	143.3	--
Agriculture	--	2.3	0.3	1.1	73.6	52.7	15.2	36.3	30.5	2.5	214.7	--
DREE	0.9	1.3	14.5	9.7	48.4	6.7	4.1	1.6	11.9	2.6	101.7	--
M&I Training on the Job	1.3	0.6	2.2	1.8	9.1	6.6	1.3	1.6	2.4	4.0	30.7	--
<i>Total of Programs Shown, 1972-73</i>	6.2	9.0	19.2	12.6	144.9	124.8	29.7	39.1	35.3	18.5	439.4	0.1
IT&C Industrial Assistance Programs	1.2	6.4	5.4	--	48.9	60.9	1.0	--	1.4	9.6	135.0	--
Agriculture	0.1	2.0	0.4	1.4	52.9	41.3	14.0	35.9	28.6	1.3	127.9	--
DREE	3.3	0.3	11.0	9.2	29.3	12.0	12.8	1.3	2.0	3.8	85.0	--
M&I Training on the Job	1.6	0.3	2.3	1.9	13.8	10.7	1.9	1.8	3.2	3.8	41.3	0.1

APPENDIX B

APPENDIX B

Per Capita Dollars
The Provincial Distribution of Federal Expenditures,
1972-73, 1973-74 and 1974-75

Table 1 -- Summary of Federal Government Expenditures,
1972-73, 1973-74 and 1974-75

Table 2 -- Federal Transfers to Provinces and Local Governments,
1972-73, 1973-74 and 1974-75

Table 3 -- Federal Government Wage Bill, 1972-73, 1973-74 and
1974-75

Table 4 -- Transfers to or in Respect of Persons, 1972-73, 1973-74
and 1974-75

Table 5 -- Grants, Contributions, and Subsidies to Business,
1972-73, 1973-74 and 1974-75

Table 6 -- Federal New Capital and Repair Expenditures,
1972-73, 1973-74 and 1974-75

Source See Appendix C

Table 1

Summary of Federal Government Budgetary Expenditures, 1972-73, 1973-74 and 1974-75
(Per capita dollars)

	Prince										Yukon and Northwest Territories	
	Newfoundland	Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia		Ten- Province Average
Total, 1974-75	1,498	1,669	1,585	1,469	1,069	984	1,075	1,014	914	945	1,055	(4,070)
Transfers to Other Levels of Government	701	713	515	562	461	252	406	356	335	240	358	199
Federal Government Wage Bill	130	241	440	203	102	238	187	137	164	170	185	(501)
Transfers to or in Respect of Persons	548	612	520	535	408	384	396	397	323	466	410	(346)
Grants, Contributions, and Subsidies to Business	51	36	26	110	52	57	29	67	30	17	49	6
New Capital and Repair	68	67	84	59	46	53	57	57	62	52	54	1,262
Total, 1973-74	1,128	1,450	1,328	1,137	839	777	928	920	772	759	848	(3,220)
Transfers to Provinces and Local Governments	528	603	436	443	352	194	341	391	290	181	285	1,673
Federal Government Wage Bill	111	202	374	180	85	188	170	100	132	137	150	(388)
Transfers to or in Respect of Persons	425	505	431	436	325	317	345	338	277	395	338	(262)
Grants, Contributions, and Subsidies to Business	9	76	25	29	35	31	22	44	28	11	29	4
New Capital and Repair	57	69	67	51	42	49	52	47	47	39	47	893
Total, 1972-73	889	1,296	1,190	995	713	702	829	831	656	694	747	(2,868)
Transfers to Provinces and Local Governments	434	524	368	392	301	186	290	359	206	161	249	1,587
Federal Government Wage Bill	43	198	370	171	76	184	151	103	132	145	146	(396)
Transfers to or in Respect of Persons	348	425	376	370	278	277	304	289	255	348	293	(161)
Grants, Contributions, and Subsidies to Business	12	80	24	20	24	16	30	43	21	8	20	2
New Capital and Repair	52	69	52	43	34	39	54	38	42	32	39	722

Table 2

Federal Transfers to Provinces and Local Governments, 1972-73, 1973-74 and 1974-75

(Per capita dollars)

	Province										Ten-Province Average	Yukon and Northwest Territories
	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia		
Total, 1974-75	701	713	515	562	461	252	406	356	335	240	358	1,956
To Provinces:												
Unconditional Grants	695	708	507	559	456	245	399	353	330	234	352	1,945
Equalization	385	378	288	289	178	28	155	130	91	14	110	1,667
Other	344	347	265	261	159	--	121	91	--	--	80	--
Other	41	31	22	28	19	28	34	39	91	14	30	1,667
Conditional Grants	310	330	219	270	278	217	245	223	239	221	242	266
Health	126	102	111	113	127	115	119	115	119	112	119	143
Postsecondary Education	25	24	44	29	66	55	42	40	64	43	54	--
Welfare	64	61	39	56	65	40	52	39	41	58	50	121
Other	95	142	25	73	20	7	32	30	15	7	19	2
To Local Governments	6	5	8	3	5	7	7	3	4	5	6	11
Total, 1973-74	528	603	436	443	352	194	341	391	290	181	285	1,673
To Provinces:												
Unconditional Grants	521	594	424	439	347	187	332	387	285	172	278	1,656
Equalization	312	315	238	229	115	5	131	203	81	5	79	1,470
Other	289	303	236	221	113	--	123	181	--	--	68	--
Other	23	12	2	8	2	5	8	22	81	5	11	1,470
Conditional Grants	209	279	186	210	232	182	201	184	204	167	199	186
Health	113	91	97	98	103	99	107	98	105	91	100	123
Postsecondary Education	23	20	44	26	55	51	39	33	60	37	49	--
Welfare	48	45	35	50	53	27	40	40	33	36	38	54
Other	25	123	10	36	21	5	15	13	6	3	12	9
To Local Governments	7	9	12	4	5	7	9	4	5	9	7	17
Total, 1972-73	434	524	368	392	301	186	290	359	206	161	249	1,587
To Provinces:												
Unconditional Grants	428	518	360	388	297	179	284	354	200	156	244	1,575
Equalization	239	245	192	201	86	6	95	193	14	3	60	1,372
Other	215	224	184	195	83	--	90	189	--	--	54	--
Other	24	21	8	6	3	6	5	4	14	3	6	1,372
Conditional Grants	189	274	168	186	211	172	188	161	187	153	184	202
Health	98	84	89	91	95	93	101	93	96	84	93	126
Postsecondary education	22	21	35	25	48	48	38	28	54	34	44	--
Welfare	49	40	29	37	50	27	37	32	33	32	36	30
Other	20	129	14	33	17	5	13	8	3	3	11	47
To Local Governments	7	6	7	4	4	7	7	4	5	5	6	13

Table 3

Federal Government Wage Bill, 1972-73, 1973-74 and 1974-75
(Per capita dollars)

	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Ten-Province Average	Yukon and Northwest Territories
Budgetary, 1974-75	130	241	440	203	102	238	187	137	164	170	185	(501)
Public Service	114	130	268	133	85	204	143	117	115	132	148	501
Canadian Forces	16	111	172	70	17	34	44	20	49	38	37	(--)
Government Enterprises	125	81	67	122	77	57	141	59	51	41	68	317
Budgetary, 1973-74	111	202	374	180	85	188	170	100	132	137	150	(388)
Public Service	96	99	209	115	70	156	128	84	84	100	115	386
Canadian Forces	15	103	165	66	15	32	41	17	48	37	35	(--)
Government Enterprises	98	63	58	93	62	48	114	46	39	33	56	243
Budgetary, 1972-73	93	198	370	171	76	184	151	103	132	145	146	(396)
Public Service	79	96	204	106	61	152	110	86	84	108	111	396
Canadian Forces	15	103	165	66	15	32	41	17	48	37	35	(--)
Government Enterprises	75	57	53	91	57	44	110	42	36	32	51	190

Table 4

Transfers to or in Respect of Persons, 1972-73, 1973-74 and 1974-75
(Per capita dollars)

	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Ten-Province Average	Yukon and Northwest Territories
Total of Detail Shown, 1974-75	548	612	520	535	408	384	396	397	323	466	410	(346)
A. Budgetary												
Family and Youth Allowances	103	87	85	89	81	79	80	84	86	77	81	115
Veterans' Pensions and Allowances	27	58	48	39	9	19	32	21	19	31	20	--
Manpower Training and Mobility	16	18	12	12	8	6	7	7	6	8	8	21
Miscellaneous	17	15	13	11	8	3	4	4	4	6	6	15
B. Payments from Funded Accounts												
Old Age Security and Guaranteed Income Supplement	135	222	182	171	141	149	187	202	138	168	154	55
Unemployment Insurance	232	170	123	175	131	84	47	50	38	131	103	121
Pensions												
Public Service	3	9	11	8	4	9	6	5	5	9	6	7
Canadian Forces	1	11	18	8	2	8	6	2	8	13	7	5
Canada and Quebec Pension Plans	15	21	29	22	24	27	25	22	19	24	24	8
Total of Detail Shown, 1973-74	425	505	431	436	325	317	345	338	277	395	338	(321)
A. Budgetary												
Family and Youth Allowances	57	50	48	50	42	45	45	47	49	44	45	60
Veterans' Pensions and Allowances	23	50	41	33	8	17	28	18	17	28	18	--
Manpower Training and Mobility	16	18	11	12	8	6	7	7	7	7	7	17
Miscellaneous	18	19	20	17	12	5	7	7	6	10	9	81
B. Payments from Funded Accounts												
Old Age Security and Guaranteed Income Supplement	119	201	163	153	124	134	169	181	124	152	138	47
Unemployment Insurance	178	134	103	142	107	76	59	56	51	117	91	102
Pensions												
Public Service	3	8	10	7	4	8	6	4	4	8	6	5
Canadian Forces	1	10	15	7	2	7	6	2	7	12	6	4
Canada and Quebec Pension Plans	10	15	21	16	18	19	18	16	14	17	18	6
Total of Detail Shown, 1972-73	348	425	376	370	278	277	304	289	255	348	293	(161)
A. Budgetary												
Family and Youth Allowances	36	31	30	32	25	28	28	30	31	27	28	36
Veterans' Pensions and Allowances	19	40	34	28	6	14	14	15	14	24	15	--
Manpower Training and Mobility	14	20	11	12	8	6	7	7	7	6	8	13
Miscellaneous	19	20	23	20	15	6	9	9	9	11	11	44
B. Payments from Funded Accounts												
Old Age Security and Guaranteed Income Supplement	102	174	139	131	104	113	142	152	105	129	116	42
Unemployment Insurance	147	113	101	124	102	81	70	60	70	120	93	33
Pensions												
Public Service	3	7	8	6	3	7	5	3	4	8	5	4
Canadian Forces	1	9	14	6	2	6	5	2	6	11	5	3
Canada and Quebec Pension Plans	8	11	16	11	11	14	13	12	10	13	13	5

Table 5

Grants, Contributions, and Subsidies to Business, 1972-73, 1973-74 and 1974-75
(Per capita dollars)

	Prince Edward Island										Yukon and Northwest Territories	
	Newfoundland	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Terrace Province Average		
<i>Total of Programs Shown, 1974-75</i>	51	36	26	110	52	57	29	67	30	17	49	6
EMR: Oil Import Compensation Program	40	--	--	84	19	34	--	--	--	1	21	--
IT&C Industrial Assistance Programs	5	--	10	11	6	9	1	--	1	11	7	--
Agriculture	--	30	2	3	19	12	22	64	27	3	16	--
DREE	3	3	11	9	6	1	6	2	1	--	3	--
M&I: CM Industry Training Program	3	3	3	3	2	1	1	1	1	2	2	6
<i>Total of Programs Shown, 1973-74</i>	9	76	25	29	35	31	22	44	28	11	29	4
EMR: Oil Import Compensation Program	--	--	--	10	6	14	--	--	--	1	7	--
IT&C Industrial Assistance Programs	5	40	4	--	7	9	1	--	1	6	6	--
Agriculture	--	20	--	2	12	7	15	40	18	1	11	--
DREE	2	11	18	15	8	1	4	2	7	1	5	--
M&I Training on the Job	2	5	3	3	1	1	1	2	1	2	1	4
<i>Total of Programs Shown, 1972-73</i>	12	80	24	20	24	16	30	43	21	8	20	2
IT&C Industrial Assistance Program	2	56	7	--	8	8	1	--	1	4	6	--
Agriculture	--	18	1	2	9	5	14	39	17	1	8	--
DREE	6	3	14	14	5	2	13	1	1	2	4	--
M&I Training on the Job	3	3	3	3	2	1	2	2	2	2	2	2

Table 6

Federal New Capital and Repair Expenditures, 1972-73, 1973-74 and 1974-75

(Per capita dollars)

	10										Yukon and NWT	Canad
	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskat- chewan	Alberta	British Columbia	Provinces Total		
Total, 1974-75	68	67	84	59	46	53	57	62	52	54	1,262	57
Capital: Construction	43	32	38	33	30	23	33	46	26	30	988	32
Machinery and Equipment	17	16	21	10	10	21	13	8	15	15	139	15
Repair: Construction	5	14	18	14	4	6	8	7	8	7	111	7
Machinery and Equipment	4	5	8	2	2	3	3	1	3	3	25	3
Total, 1973-74	57	69	67	51	42	49	52	47	39	47	893	
Capital: Construction	37	22	30	26	31	20	30	31	19	25	674	
Machinery and Equipment	10	8	11	5	6	22	11	7	9	13	71	
Repair: Construction	7	32	20	18	4	5	9	8	9	7	136	
Machinery and Equipment	3	7	6	2	1	2	2	1	2	2	12	
Total, 1972-73	52	69	52	43	34	39	54	42	32	39	722	
Capital: Construction	27	20	18	18	23	17	20	23	15	19	504	
Machinery and Equipment	17	13	13	10	5	14	24	10	7	11	102	
Repair: Construction	4	31	15	13	5	6	7	8	8	7	105	
Machinery and Equipment	4	5	6	2	1	2	3	1	2	2	11	

APPENDIX C

APPENDIX C

Sources and Calculations Used in Compiling the Data

1. Table 1: Summary of Federal Government Expenditures by Province

This table presents estimates of total expenditures for the five major categories which are detailed in the following tables. The estimates relate to the operation of federal departments, commissions, agencies and noncommercial Crown corporations, such as the Economic Council of Canada. Activities of government enterprises which produce goods and services for sale at a price related to costs are excluded from totals and from the detailed tables. These enterprises are listed under 3. below.

Sources and methodology are as per the following tables.

2. Table 2: Federal Transfers to Provinces and Local Governments

The major source of data is the "Summary of Federal Contributions to the Provinces," a mimeo produced by the Department of Finance, Federal-Provincial Relations Division, for each of the fiscal years. (Attached sheets give detail on Federal Contributions to the Provinces under Conditional Grants and Shared-Cost Programs which may be of interest to some readers, but which have not been included with our tables.) Supplementary information from Federal Government Finance, Statistics Canada, Cat. No. 68-211, was used to make comparable estimates for:

- (i) Yukon and Northwest Territories; and
- (ii) Local Governments.

Some items have been reclassified from the Department of Finance source and others bear special comment.

Other Unconditional Grants

The largest component is "revenue guarantees". "Grants in Lieu of Taxes", to provinces, appear in a separate category in the Finance source but are included here in our data.

Postsecondary Education

Federal contributions to postsecondary education are made up of three components: tax abatement points, equalization and cash grants. Our estimate in this category includes only the Department of Finance's estimate for the tax abatement and cash payment portion; equalization (about 5 per cent of the total) is included in the "equalization" category. The formula for the total contribution¹ is unrelated to the amounts in the components and thus the provincial distribution in our postsecondary education category will differ from the distribution of total postsecondary education contributions to the extent that the associated equalization is distributed differently. The amounts of equalization on postsecondary education financing for all provinces were as follows:

1972-73	\$51.3 million
1973-74	\$59.3 million
1974-75	\$71.5 million

Data for the federal contributions to Quebec include the applicable tax abatements for programs where "contracting out" has occurred (hospital insurance and welfare programs). The value of the tax abatement is as calculated by the Department of Finance. Inclusion of these amounts allows comparison between provinces.

1 Total contribution equals 50 per cent of allowable operating expenses of postsecondary educational institutions.

3. Table 3: Federal Government Wage Bill

(a) "Budgetary" wages and salaries include the wage bill of: (i) public servants as given by the "general government" category in Federal Government Employment, Statistics Canada, Cat. No. 72-004; and, (ii) Canadian forces personnel as supplied by the Financial Services Branch of the Department of National Defence. General government includes departments, departmental agencies, administrative and regulatory agencies, but excludes commercial Crown corporations, military personnel, elected representatives, and the Governor General.

The provincial distribution of wages and salaries is on the basis of place of employment not place of residence of employees.

For the fiscal year 1972-73 and 1973-74 it was necessary to adjust the Statistics Canada data to take account of a definitional change introduced by Statistics Canada in the second calendar quarter of 1974. The definitional change resulted in data relating to the category "Administrative, regulatory and special funds and agencies" being moved from "government enterprises" to "general government". Since this category was not previously published as a separate item, the adjustment was made by taking the proportion of the category in fiscal 1974-75 relative to government enterprises on the old definition out of "government enterprises" and adding it to "general government" for earlier years. The 1974-75 by-province distribution was maintained in the adjustment, except for the Yukon and Northwest Territories where the category first appeared during 1974-75 and it was assumed that there were no wages paid in the category before that time.

(b) The definition of government enterprises stipulates that they are (a) established by a political decision-making body to produce goods and/or services for sale on the open market at a price related to cost, (b) maintain independent accounts; (c) have relatively autonomous management; and (d) are staffed by personnel not normally subject to statutory requirements governing employment in the general public service.

"Government Enterprises" include the following:

Air Canada;

Airtransit Canada;

Canada Deposit Insurance Corporation;

Canada Development Corporation;

Canadian Arsenal Limited;

Canadian Broadcasting Corporation;

Canadian National Railways;

Canadian Overseas Telecommunications Corporation;

Canadian Saltfish Corporation;

Central Mortgage Housing Corporation;

Connlab Holdings Limited;

Crown Assets Disposal Corporation;

Eldorado Aviation Limited;

Eldorado Nuclear Limited;

Export Development Corporation;

Farm Credit Corporation;

Federal Business Development Bank;

Fresh Water Fish Marketing Corporation;

General Plastics Company Limited;

National Harbours Board;

Northern Canada Power Commission;
Northern Transportation Company Limited;
Petrosar Limited;
Polysar Limited;
Polysar Plastics Limited;
Royal Canadian Mint;
The St. Lawrence Seaway Authority;
The Seaway International Bridge Corporation, Limited;
Trent Rubber Services Limited;
Yarmouth-Bar Harbor Ferry.

4. Table 4: Transfers to or in Respect of Persons.

This table presents payments to persons by place of residence, mostly compiled from the Public Accounts. The exceptions for sources of data are the pension plans:

(i) Veterans' Pensions and Allowances were obtained from the Department of Veterans Affairs. While no data has been obtained for payments in the Yukon and Northwest Territories or outside of Canada, we suspect that a positive amount is involved.

(ii) Public Service Pension payments are estimated on the basis of information supplied by the Department of Supply and Services which administers the public service Superannuation fund. In this case we know the provincial distribution of pension payments as of September 1, 1976. This distribution was taken back and applied to the total payments for the fiscal years covered by the tables. The distribution will lack precision as the distribution of pensioners or relative sizes of pensions, by province, has changed over time.

(iii) Canada and Quebec Pension Plans data was derived from publications of the respective pension plans: the Canada Pension Plan Annual Reports and the Quebec Pension Plan Statistical Bulletin. The former publishes data on the provincial distribution of payments on a gross basis which includes uncashed cheques, retrievals etc. The data was adjusted to reflect total net disbursements in proportion to the gross distribution. Data on Quebec Pension Plan payments, by province, was available only for the calendar year 1975. This distribution was used to allocate total payments for the three fiscal years covered by our tables.

5 Table 5: Grants, Contributions and Subsidies to Business

(i) Oil Import Company Program -- "payments to refiners and other persons who import crude oil and petroleum products". Data on actual payments for 1973-74 and on accrued payments for 1974-75 was obtained from the Department of Energy, Mines and Resources. The 1974-75 distribution was used to distribute the actual payments given in the Public Accounts, vol. II, 4.8 for that year. Data relate to the location of head offices of claimants and, therefore, may not reflect the distribution of oil products consumed or refining operations to which the payments apply. It should be noted that the program is intended "for the restraint of prices of petroleum products to consumers primarily in the Atlantic provinces, Quebec and that part of Ontario east of the line known as the "Ottawa Valley Line" (Public Accounts, vol. II, 4.6). However, since western oil prices are also controlled, there is an implicit subsidy to western oil consumers which does not show up in government expenditures.

ii) Department of Industry, Trade and Commerce, Industrial Assistance Programs. The data include disbursements for 14 incentive and development programs operated by the department. The programs cover areas such as innovation, productivity, financing, marketing and special industry incentives. The largest individual programs are the following:

-- Defence Industry Productivity Program (DIP) --

\$48 million in 1972-73 and 1974-75, and \$58 million in 1973-74.

-- Programs for the Advancement of Industrial Technology

(PAIT) -- \$27 million in 1972-73, \$26 million in 1973-74 and \$29 million in 1974-75.

-- General Adjustment Assistance Program (GAAP)

(objective to assist manufacturing industry to improve its position in meeting international trade competition).

-- \$14, \$18 and \$32 million in the three fiscal years 1972-73 through 1974-75.

-- Shipbuilding assistance under the Ship Construction Subsidy Program (SCSR), and Shipbuilding Temporary

Assistance Program (STAP), which together accounted for \$32, \$34 and \$45 million in the three fiscal years.

Data for two programs include amounts other than transfers to business but which could not be eliminated from the distribution. In the case of the Industrial Design Assistance Program some scholarships and grants to individuals and institutions are included (total program \$259-540 thousand per year in the

period considered). The amount of money misallocated under this program is small and does not seriously affect the quality of the data; however, a more serious distortion is introduced by the inclusion of the General Adjustment Assistance Program, where a large part of expenditures are in the form of insurance of loans and even direct loans to manufacturers wishing to improve their international competitive position. A case can be made for including loan insurance as a contribution to business, but loans themselves (some \$10 million out of total expenditures of \$97 million since 1968) ideally should be eliminated.

(iii) Agricultural Payments

The activities of four agricultural programs are included in Table 5. (a) The largest program is subsidies to producers on milk and cream for manufactured products, administered by the Canadian Dairy Commission. These payments accounted for \$101, \$142 and \$230 million in the three fiscal years, or more than 60 per cent of agricultural payments in the table. Source: the Canadian Dairy Commission. (b) The Two-Price Wheat Program accounted for \$63, \$70 and \$81 million, or about one-third of agricultural subsidies in the first two years, and a little more than one fifth in 1974-75. Source: Department of Agriculture, Grains and Special Crops Division. (c) Operations of the Agricultural Stabilization Board resulted in payments which varied from a low of \$97 thousand in 1973-74 to \$46.5 million in 1974-75. The main source of increase was the payment of substantial beef subsidies in fiscal 1974-75. Source: Agricultural Stabilization Board. d) Payments under the Prairie Farm Emergency Fund, a total of \$6.3 million over the three-year period, come from the Public Accounts, vol. II, 1.19.

(iv) Dree--data relating to DREE's grants, contributions and subsidies to business are taken from W. I. Gillespsie, and R. Kerr, "The Impact of Federal Regional Economic Expansion Policies on the Distribution of Income in Canada", Preliminary Draft, April 1976, worksheets for Appenic C.

(v) Manpower Tranining on the Job and Industry Training Program. Source: Public Accounts, vol. II, 34.10.

6 Table 6: Federal New Capital and Repair Expenditures -- Data provided by Statisitcs Canada, Capital Expenditures Section. The data include information on federal government departments and commissions, agencies or non-commercial corporations reporting through departments (i.e., the same universe as the "general government" category used in distributing government employment). Location refers to location of installation which may, of course, differ from location of production or purchase.

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