**The Dewar Series ◂◂◂ Perspectives**

**Canadian Centre for Management Development**

# RETHINKING GOVERNMENT

**presented by**

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# **LIST OF CHARTS** (charts appear at the end of document)

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# Rethinking Government

**by Judith Maxwell**

## I. Introduction

My text for today is taken from the first letter of Paul to Canadians. It was written in November, 1993, just after his conversion to the Ministry of Finance. He said:

> "The underground economy is not all smugglers. It is hundreds of thousands of otherwise honest people who have withdrawn their consent to be governed, who have lost faith in government. That is why over the next four years, one of the most important things we can do is to re-establish the credibility of government and, to do that, we must restore control over the nation's finances."

The words of the new Finance Minister reflect the troubled times of the mid-90s in Canada. A daunting fiscal deficit, a growing social deficit, and considerable alienation from government. What we see is a society in transition to something we now call a knowledge-based economy.

The title of this lecture is **Rethinking Government**. First let me distinguish this from **Reinventing Government**. That book by Osborne and Gaebler has spawned a literature on the new culture of public administration. It promotes the notion of a competitive, customer driven public service. I am addressing a somewhat broader set of issues which involve rethinking the contract between the citizen and the state. I am going to pose (but not necessarily answer) two questions: What services should governments finance in the 1990s and beyond? and How can they do a better job of financing and delivering those services?

The background reading for the lecture consists of two essays by my colleague Bryne Purchase. The one on Competitiveness and the Size of Government sets out the historical perspective for the growth of government in Canada and describes the change in the climate in which government operates. He argues that global forces are altering government organizations just as they have restructured private corporations. The key message of this essay, I think, is that seeking competitiveness and seeking security are two sides of the same objective, which is to restore high employment and income growth. Competition drives the changes but equity and fairness make them politically possible. The second essay is on **Competitiveness and the Cost of Government** -- it sets out a framework for delivering public services more efficiently.

**The Context**

Let me begin by setting out the context for the discussion. Fiscal and social deficits go hand in hand. (I will define social deficit in a moment.) They spring from the same origins and therefore, I believe that we must search for common solutions. The danger is that the process of cutting expenditure to reduce the fiscal deficit will destroy the good part of public services, and make the social deficit even worse than it is now.

The fiscal deficit is a joint federal-provincial (and local) problem. Their total debts now amount to roughly 90 percent of GDP, and their combined borrowing in 1993 probably amounted to $60 billion, or 8 percent of GDP. About 40 percent of this was borrowed abroad, and therefore represents a claim by foreigners against future income generated by Canadians. I will argue later that the activities of federal and provincial governments are so entangled that successful deficit reduction can only occur if they are both involved.

The fiscal deficit springs from five sources:

1. The slowdown in productivity growth in the 1970s which reduced the flow of revenues, at the same time that we indexed the system and created a lot of new tax expenditures.

2. A lack of political salience for good government. Accountability mechanisms were slow to bite in the 1970s and 80s, and citizens did not resist the growing deficits. Governments are very human, they take the path of least resistance. As the gap between revenue and expenditure became chronic, they borrowed. When that became more difficult, they switched to tax increases, and now, with the tax revolt, they are into expenditure reductions.

   **Figure 1: Changes in Taxes in Major OECD Countries, 1983 to 1992.**
   (See end of document)

   This slide shows that taxes as a share of the economy increased more quickly in Canada than in other major industrialized countries, including Italy and Sweden.

3. Contradictions between monetary and fiscal policies. By the late 1980s, federal fiscal policy was beginning to make some inroads on deficit reduction. But harshly restrictive monetary policies led to a surge in interest rates and a sharp downturn in activity. This added a new layer of debt and aggravated the imbalance.

4. The continuing process of structural adjustment provoked by globalization, technology, and the shift to a knowledge-based society. This process has laid waste to vast stretches of private industry and is now reaching into the public sector. This secular trend would have slowed economic growth and restrained inflation in the early 1990s even in the absence of monetary restraint.

5. High expectations. Despite the tax avoidance which is being practised by a large swath of the poor and the middle class, people do expect to have universal access to health care and public education, and they plan to collect their OAS cheques when they reach 65. These are their entitlements, they would argue, as Canadian citizens.

The social deficit cannot be measured in cold statistics. Certainly the current unemployment rate of 11 percent understates the problem. It is evident in the high proportion of children and young people who arrive at school not ready to learn. Some are hungry, some are hurting, and others are just "not focused." It is also evident in the high rates of dependency on UI and social assistance by people who have at least some earnings from work.

**Figure 2: People on Temporary Assistance in B.C.**

There are 327,000 people on temporary assistance, and two-thirds of them are under the age of 30 (including the children). There are 51,000 single-parents (mainly women) and 80,000 single, unattached males who appear to live a cycle of temporary work, UI, and then temporary assistance. Many of these young men must be the fathers of the children in single-parent families, though we have no way of knowing this.

The social deficit springs from four sources:

1. The pressure on living standards and on unemployment rates arising from slower productivity growth, structural adjustment and macro policy restraint (monetary and fiscal). Living standards have fallen since 1980, but the decline has been concentrated among people under the age of 35.

**Figure 3: Real Income by Age of Family Head**

2. The ensuing pressure on individuals and families, who are working harder, running up debts, commuting further, and therefore have less time for family centred activity.

3. The lack of consideration for child care in government programs and in employee benefit schemes (what we call family-friendly work arrangements).

4. And, finally, the disappearance of the high-paid blue-collar jobs of the post-war era. Twenty years ago, it was still possible for a young man to quit school at age 16, find a well-paid job in construction, logging, fishing etc and earn enough to support a family in relative comfort. These young men now have two options: either they go back to school for a substantial upgrade or they end up floating between work and UI, like those young men I described in B.C. A friend of mine in the U.K. describes this as "the decline of good fatherhood."

The social and the fiscal deficits combined make a potent cocktail of frustration and alienation. They explain (but do not excuse) why some people would remove their consent to be governed. They point out vividly just how important the next five years will be for Canada. Will the current trends continue? Or will they be reversed so that Canada can become the civil and caring society which we pretend it is? [Valpy, 1993] That reversal will only come, it seems to me, if we can restore the credibility of our governing institutions.

In rethinking government, we have to remind ourselves why governments exist, why they are such unique institutions, and then how their relationship with citizens has been altered over time. This leads to my first big question: What should governments do?

## II. What Should Governments Do?

In the 1860s, the family was self-sufficient. Government did not have a social role. It provided the legal framework, defended the colonies' borders and it had an economic development role (canals, railways, land settlement). It was the church that ran the charities which looked after people who were destitute. By the 1930s, the municipalities had taken responsibility for relief and for public education.

In the 1940s, there was a major evolution in political thinking in response to Depression, War, and the intellectual contribution of Keynes. The Marsh Report mapped out a role for government in redistribution and then the White Paper on Reconstruction set the framework for an extraordinary expansion of both the economic and the social roles of government [Johnson]. This led to deliberate decisions to intervene to reallocate resources and to redistribute income (family allowances) to prevent a post war slump. This period also saw the early steps toward fiscal federalism -- a system of interregional sharing intended to bind the country together.

The social contract implicit in those documents from the 1940s could be roughly summarized as follows:

> Citizens made a commitment to work and to pay taxes in return for state-funded insurance against temporary unemployment, old age, poor health, and certain family responsibilities. The state committed to introduce policies that would ensure high levels of employment.

This contract framed political decisions through the next 25 years -- the final element was Medicare and it was enacted in 1968.

By 1975, a relatively mature safety net was in place. But, by coincidence, the bottom dropped out of revenues in the mid-1970s. In effect, the slump in productivity growth after the oil shock had begun to erode the very foundations of this vision of peace, order and good government. Basically, revenues stopped growing at the pace to which Canadians had become accustomed, but no adjustments were made to the social contract.

**Figure 4: The Social Safety Net**

We financed these safety net transfers (excluding health and education) in 1975 with about 7 percent of GDP. Many programs have actually been tightened up since then -- especially through amendments to UI and the curtailment of indexing. Yet the share of GDP required to finance them in 1992 was 11 percent. This reflects higher rates of dependency on the safety net, and, as I will argue later, inefficient incentives in the design of these programs. If public spending on health and education expenditures are included as part of the safety net, then they add another 12 percent to the share of GDP devoted to the social envelope.

These costs are becoming overwhelming. We are obviously forced to stop and think about whether or not governments really should be providing all these services and making such a commitment to redistribution.

## Rationale for redistribution

I think that the rationale for government's social role is, if anything, stronger than it was in the 1940s. In a sense, the social role of government is to provide the underpinnings necessary to permit a society to adapt to changing circumstances.

In the urban wage economy, people cannot be self-sufficient. They cannot grow their own food, build their own homes, and make their own clothes, or provide nursing care to the family. They depend on the market for their own labour to provide the income needed to buy goods and services. This market embodies a lot of risk-taking -- risk that there will not be a job, risk of job change, risk the wage earned will not cover all the family's needs [Maxwell, 1994].

The contract originated in an era where the typical family had one breadwinner and that person could earn enough to support another adult and several children or other dependents. In short, there was someone at home to take care of the family. Now, vulnerability has increased for three reasons.

> First, the labour market has become less stable because the nature of work has changed. Layoffs tend to be permanent, rather than temporary. And there are many jobs which do not provide enough income to support a family. Canada's labour market produces far more instability and turnover than do most other industrial countries -- though the United States is even further to the right in the chart.

**Figure 5: Job Stability: Canada and Other Countries**

> Second, families now depend on two incomes, and, generally speaking, there is no one home during the day to do the home making and care giving. (Politicians who campaign door to door have observed that the only people at home during the day are those on welfare, unemployed, or working the night shift.) In these circumstances, the family is compelled to contract out many tasks that used to be done at home -- child care, elder care. However, as yet, markets for these services are not fully developed. The work goes underpaid or unpaid, and both the quantity and, in many cases, the quality of services fall short of people's needs.

> Third, there is extraordinary pressure on workers to upgrade their skills -- but the support structure to permit people to take time out for study is very uneven.

In considering the scope of a new social contract, then, we need to think not only about pooling of risks in the labour market, but also about the support for families and children and about ways to foster investment in human capital. The key concern becomes the capacity of new generations to be healthy and productive citizens.

What is worrying is that we are currently devoting so much money to the 1945 version of the social contract while there is so much evidence of a growing social deficit with the accompanying risk of creating an underclass. That alone should make the case that it is time to rethink the social contract in order to create a new blueprint for government action. This means rethinking the political values that describe the obligations and the rights of all the players -- governments, citizens, employers, unions, and interest groups.

What I want to do now is turn to the second big question and give some examples of some of the major programs in the existing contract which could be made more "efficient."

## III. How can governments be more efficient?

The main argument of our Government and Competitiveness project is that the problem with the social safety net was not the generosity of the system so much as the incentives they created for suppliers and for users of the system to behave in ways that were unproductive. This focus in not new. It is easily found in most of the textbooks on public finance. But it needs to be repeated, over and over again, because the social contract has not produced the sense of security that citizens expected.

### The framework

Virtually everything that government does requires a contract. If it is financing education or health, then there is a contract with a school board or a hospital. If it is delivering programs directly, then there is a collective agreement with the public servants doing the work. If the delivery is undertaken by a non-profit organization, a private firm or a crown corporation, a contract is required with the management.

The essence of good government is ensuring that those contracts are written in such a way that the supplier -- the school board, the hospital, the public servants or the crown corporation -- has an incentive to provide the best quality at the lowest possible price. At the same time, the design of the service or program must be such that there is an incentive for the citizen or the user to use that service efficiently -- to take only as much as they need, in full recognition of the cost to society.

You can see immediately that this is a huge task, since we are talking about services where the typical product or outcome cannot be measured and where there is seldom an explicit cost or price which is known to either the producer or the user. The essence of good government is to get as close as possible to the most efficient incentives, despite these obvious barriers.

The mistake that got us off on the wrong track in the 1970s was the assumption that behaviour would not be unduly influenced by the way programs were designed.

Let me now turn to five examples of the incentive issues. They are the federal-provincial fiscal arrangements, health, support for the elderly, post-secondary education, and labour market training policies. (Clearly, unemployment insurance could be added to the list as well.) All of these programs involve a mix of federal and provincial programs and financing -- which buttresses the point I made earlier that the reforms needed for deficit reduction involve both levels of government.

**Federal-provincial fiscal arrangements**

Canada's system of fiscal sharing creates a web of tax and spending arrangements that bind us together as a nation. They make it possible for us to promise that a Canadian will have access to roughly similar public services, at about the same tax cost, no matter where they live. The flaw in the system, as it is now structured, is that it blurs the accountability relationship between the citizen and the state.

**Figure 6: The Fiscal System**

As this figure shows, there is no relationship between the taxes owed to a particular government and the benefits received in the form of public services. Local governments and hospitals deliver far more than they tax, while federal and provincial governments deliver considerably less than they tax. The gap is particularly wide here because I have combined current and deferred taxes into one total for taxes owing.

This structure has a strong logic to it in social and economic terms. But it creates two types of accountability problem.

Economists point out that it is most efficient to tax at the highest level of government to prevent "free riding", and that it is most efficient to spend at the lowest level of government, which will be most responsive to citizens' needs. The Europeans call this the principle of subsidiarity. However, we have ended up with a system where taxpayers see little value in a federal government which taxes heavily, and delivers much less because its contribution to the key programs like health and education are hidden in transfers to the provinces.

The other type of accountability issue is the built-in incentive to pass the buck. We are all familiar with the argument about 50 cent dollars -- that they make it easy for provinces to offer richer programs than would otherwise occur. What we have not understood is the degree to which the federal fiscal problem was aggravated by the decision to try to protect federal-provincial transfer payments through most of the 1980s. In effect, the provinces considered the fiscal problem to be a federal problem and this probably delayed, by about ten years, the recognition that fundamental reforms in health and education were essential.  In the meantime, a mountain of debt was created.

**Health**

Canadians believe that more health care is better than less.  They equate health care with health. They do not recognize that health care is only one of many determinants of health, such as nutrition, proper housing, sensitive child development, appropriate lifestyles etc.  Instead, Canadians take pride in the fact that we spend 10 percent of GDP on health care (including public and private expenditure), and that we have a more efficient and caring system than that in the United States, which spends nearly 14 percent of GDP on health care.  What they do not realize is that we are close to being second last in the race.

**Figure 7: International Rankings of Cost Control and Health System Performance**

European countries can produce universal health care for their citizens at a cost of 7 (Denmark) to 9 percent (Sweden and Switzerland) of GDP while generating better outcomes with respect to life expectancy and infant mortality.  Why can't we?  And, why shouldn't we?

I am not suggesting that we should dismantle all our fine hospitals and medical schools.  But we do need to look deep into this system to determine whether the right people are being assigned to the right tasks, whether the right treatments are being chosen for the right patients at the lowest cost, and whether new institutions and delivery mechanisms are required to make that happen.

More specifically, I think we have to look at the incentive built into our health care system: Is there any incentive for health care providers to chose cost-effective treatment -- that is treatment that minimizes cost and maximizes health status?  Is there any incentive for citizens to consult a nurse rather than a doctor for first-line advice on how to treat a cold or a fever?  Are there more effective ways to care for the elderly in their own homes than placing them in institutions?  What support systems do families need to be able to cope with these stresses in a more self-reliant way?

We will have more to say on this in the Government and Competitiveness report and in a forthcoming report on the Cost Effectiveness of the Health Care System.

**Caring about the elderly**

Ever since the failed attempt in the April 1985 budget to reduce the payments of income support to the affluent elderly, governments have choked on the notion of reform of the safety net for the senior [Battle]. In 1991, the federal government spent $19 billion on Old Age Security and Guaranteed Income Support payments and provided an age tax credit which cost $1.3 billion in lost revenue for federal and provincial governments. The provinces also offer about $1 billion in income supplements and special tax or shelter assistance programs, much of which is not targeted to the poor [Hess].

Now these are gross numbers and to go any further we would need to net out the taxes paid by the elderly, including the clawback on OAS. But the key point is that about only about 40 percent of the people who receive OAS also receive GIS (which is means tested). This suggests that there is a strong argument for targeting income transfers to the elderly. Now, I do not want to create the illusion that we can "save" $10 billion out of federal and provincial payments to the elderly. But there is room here for considerable adjustment and for rethinking the kinds of guarantees we can offer the elderly of the future. Here are some points to consider:

- There are wide disparities in income among the elderly. Some are well-placed to be financially independent. Others have no income beyond that provided by the state.

- The number of frail elderly (over the age of 75) is beginning to increase rapidly -- the numbers are projected to increase from 1.3 million in 1992 to 2 million by 2001, an increase of almost 50 percent. This means that it is very important to rethink the contract with the elderly now.

**Figure 8: The Elderly Population in Canada**

The life expectancy of a woman who reached the age of 60 in Canada in 1990 was 24 years, for a man, it was 19 years. What matters most to the affluent and the poor elderly is whether they can count on affordable care in their frail years.

The true security of the elderly will be assured if we can make two promises: Income supports whenever necessary -- that is, depending on their other sources of income -- and a viable health and community care system when they become frail.

Given the fiscal situation, we cannot honestly make such guarantees now unless we take action to overcome the fiscal deficit, and start to build a robust health and community care system that is sustainable.

**Post-secondary education**

Universities (and colleges) in Canada are under immense stress. They are being asked to do more for less. Enrolments are breaking records, students are being turned away, tuition fees are controlled, and provincial operating grants are declining. Yet, in a recent paper, I have concluded that the governing structure in universities has been so badly eroded that universities are incapable of reform from within [Maxwell, 1993]. When operating grants are cut, the universities go through a laborious process of across-the-board cuts which cannot help but diminish the standard of education. If we do not break through this barrier soon, we could do long-lasting damage to the capacity of these institutions.

**Figure 9: Operating Grants per Full-Time Equivalent Student**

The incentives here are wrong in a number of ways: Students have no idea of the value of the programs they are in. If you pay 10 percent of the cost of a service, you will use it at a different pace than if you are paying 30 percent or even 50 percent. Similarly, if universities were in a situation where their revenues depended on the degree to which they could fulfil students' needs, we would see an increase in the value placed on teaching, and a readiness to provide programs that students want.

The way to improve the incentives to the suppliers -- the universities -- and to the students involves deregulating tuition fees (provincial jurisdiction) and reforming student loans to make them available to all students. The loans should be repaid through the tax system, contingent upon earnings [Purchase, 1994, Maxwell, 1993, West]. At the same time, we need more means-tested grants for students from low-income backgrounds to ensure that they have adequate access.

**Labour market training policies**

Somehow, Canada's labour market programs have created or reinforced the wrong expectations among many employers in both the public and the private sectors. They still believe that training is a responsibility of the state, so they wait for the end product to come out of the education and training system, rather than investing in the creation of that product. They believe that they can put an ad in the paper and find the trained workers they need. (If they cannot, it is government's or someone else's fault.) They also believe that layoffs are the route to competitiveness.

My colleague Gordon Betcherman is putting the finishing touches on a forthcoming report called The Canadian Workplace in Transition. That report will demonstrate, very clearly, that employers that invest in training, and make a commitment to the existing work force through enlightened policies on workplace cooperation, compensation, and family-friendly work arrangements reap the reward in the form of faster productivity growth.

Clearly, we need to create an incentive structure that is more in tune with the realities of the employer-employee relationship. They are the principal beneficiaries of training and of avoiding layoffs. We need programs that reinforce that message.

This does not eliminate the need for public training programs -- for the unemployed, the disadvantaged, the self-employed, and for young people still in the education system. But it should affect our attitude toward workplace training.

## IV. Conclusions

So far, I have argued that we need to find common solutions to the fiscal and social deficits and that a key step in this direction will be to establish a new social contract between the citizen and the state. That contract will have to take account of the changed circumstances of Canadian families and a lower set of expectations about future revenue growth. It presumably will involve a new set of obligations on both parties.

I have also argued that the reform of major programs within the social contract should revolve around getting the incentives right -- so that the supplier of the service and the user are both encouraged to be efficient.

How feasible is all of this? On the optimistic side, I can point to two kinds of evidence. First, there is evidence that Canadians have not given up on government. They continue to look to government to solve the nation's problems, and recognize that some problems are beyond their scope [Dobell and Berry]. Second, there is a recurring cycle in trust of government. It rises sharply around the time of a national election, as we have seen since October, and then plummets when reality or mistakes become evident.

On the pessimistic side, there is the daunting task of changing expectations about what we mean by social and economic security. Being competitive means securing the best possible chances for employment and income. But being competitive also implies a continuous process of coping with change. As the pressure increases, we need a stronger commitment to collective security, and greater attention to preventing a social deficit.

We have to break from the notion that governments can protect citizens from every cold wind. We also have to break with the notion that governments can let the cold winds blow to make Canadians competitive, without putting in place the supporting reforms on the social side.

The real challenge here is to manage both the timing and the expectations. I am not suggesting that the fiscal problem can be corrected simply by reforming the social safety net. Many of these major program areas will take time to reform. And it will take even more time for a new set of incentives to begin to influence the behaviour of suppliers and users.

But reforming the social safety net is part of the solution to the long term fiscal problem. There are many who would argue that we need a quick reduction in government deficits, and are prepared to slash and burn to make that happen. Certainly if we look at the two provinces who have made the most progress in bringing their books back into balance -- New Brunswick and Saskatchewan -- it is necessary to make some hard decisions across the whole gamut of government activities.

What the federal government cannot afford to do is break trust with Canadians -- it has to show a capacity for building and healing through sensible and far reaching reforms to the social infrastructure at the same time as the deficit is being addressed. This obviously cannot be done alone. In almost all the areas we have discussed, the provinces have the jurisdiction and are also major players in the design of the programs we have been discussing. I think that the obvious fiscal distress in all regions of the country forces them to work together.

My argument is that you cannot restore political legitimacy solely by being fiscally correct. That is a necessary, but not a sufficient condition for restoring the credibility of government. The adjustments in expenditures and revenues have to be framed in the context of a new social contract which responds to the needs and aspirations of Canadians and is consistent with their ability to pay.

So, Finance Minister Paul Martin has started his mandate by identifying the depth of the problem of governance in Canada. He also holds some, though not all, of the policy levers for regaining the consent of the people. If he fails to do so, then all governments in Canada will bear the scars.

If he succeeds, it will be because all governments in Canada could see what was at risk and decided to make a contribution to the solution.

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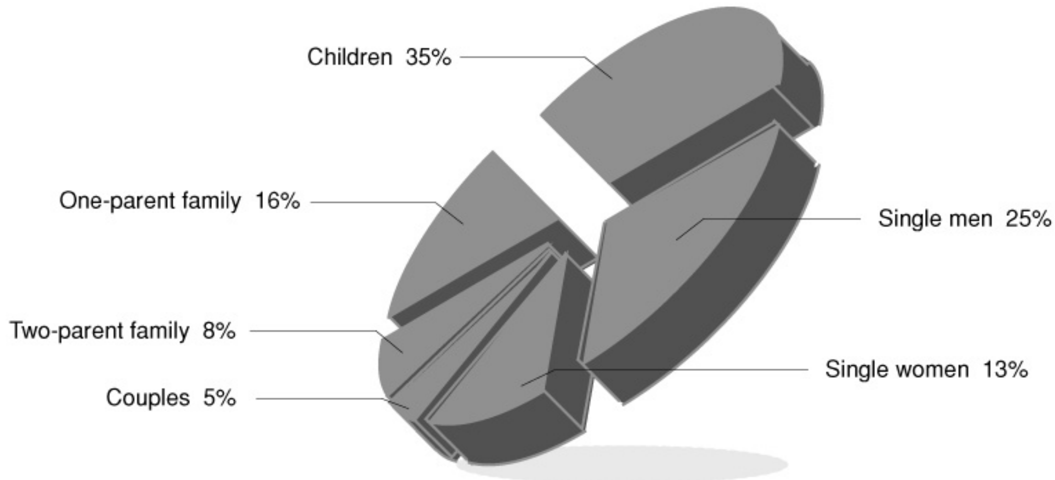
### Change in Taxes Paid as a Share of GDP Between 1983 and 1992

| | Change in taxes paid |
|---|---|
| | *(Percentage points)* |
| United Kingdom | *–4.0* |
| France | *–0.6* |
| United States | *0.9* |
| Germany | *1.6* |
| Japan | *3.6* |
| Sweden* | *5.0* |
| Italy | *5.1* |
| Canada | *5.7* |

* Change from 1983 to 1990.

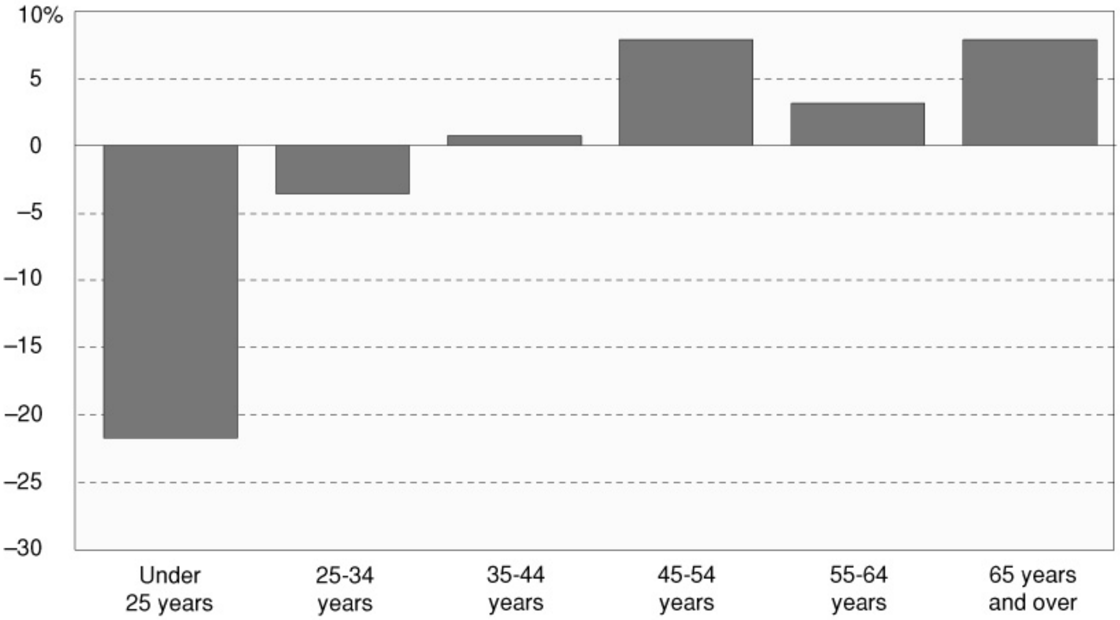
SOURCE: Department of Finance, *Economic and Fiscal Reference Tables*, 1993 and OECD.

### People on Temporary Assistance in British Columbia




SOURCE: BC Ministry of Social Services, September 1993.

**Real Family Income,* by Age of Head**
(Percent Change From 1980 to 1992)




* Before tax, in 1986 dollars.
SOURCE: Statistics Canada.

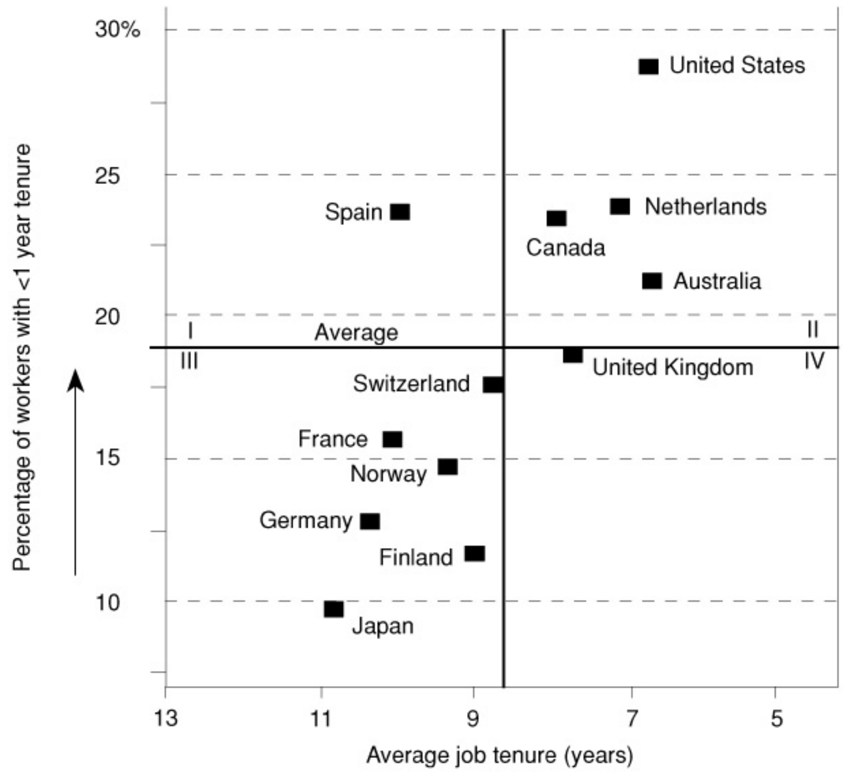
## The Social Safety Net[1]

| | | | Share of GDP | |
|---|---|---|---|---|
| | 1975 | 1992 | 1975 | 1992 |
| | ($ billion) | | (Percent) | |
| Federal | | | | |
| Old age security and guaranteed income supplement | *3.8* | *18.8* | *2.2* | *2.7* |
| Unemployment insurance | *3.1* | *18.0* | *1.8* | *2.6* |
| Canada Pension Plan | *0.5* | *12.9* | *0.3* | *1.9* |
| Family allowances | *2.0* | *2.9* | *1.2* | *0.4* |
| **Total federal** | ***9.4*** | ***52.6*** | ***5.5*** | ***7.6*** |
| Provincial | | | | |
| Social assistance[2] | *1.8* | *13.6* | *1.0* | *2.0* |
| Worker's compensation | *0.5* | *4.3* | *0.3* | *0.6* |
| Quebec Pension Plan | *0.2* | *3.9* | *0.1* | *0.6* |
| **Total provincial** | ***2.5*** | ***21.8*** | ***1.5*** | ***3.2*** |
| **TOTAL** | ***11.9*** | ***74.4*** | ***6.9*** | ***10.8*** |
| | 1975 | 1991 | 1975 | 1991 |
| Consolidated government expenditures | | | | |
| Health | *9.0* | *41.6* | *5.2* | *6.2* |
| Education | *10.7* | *38.8* | *6.2* | *5.7* |
| **Total health and education expenditures** | ***19.7*** | ***80.4*** | ***11.4*** | ***11.9*** |

1 Excludes tax expenditures.
2 Includes municipal programs and programs for the elderly.

SOURCE: Safety net expenditures based on National Income and Expenditure Accounts. Health and education expenditures based on Public Accounts (FMS basis).

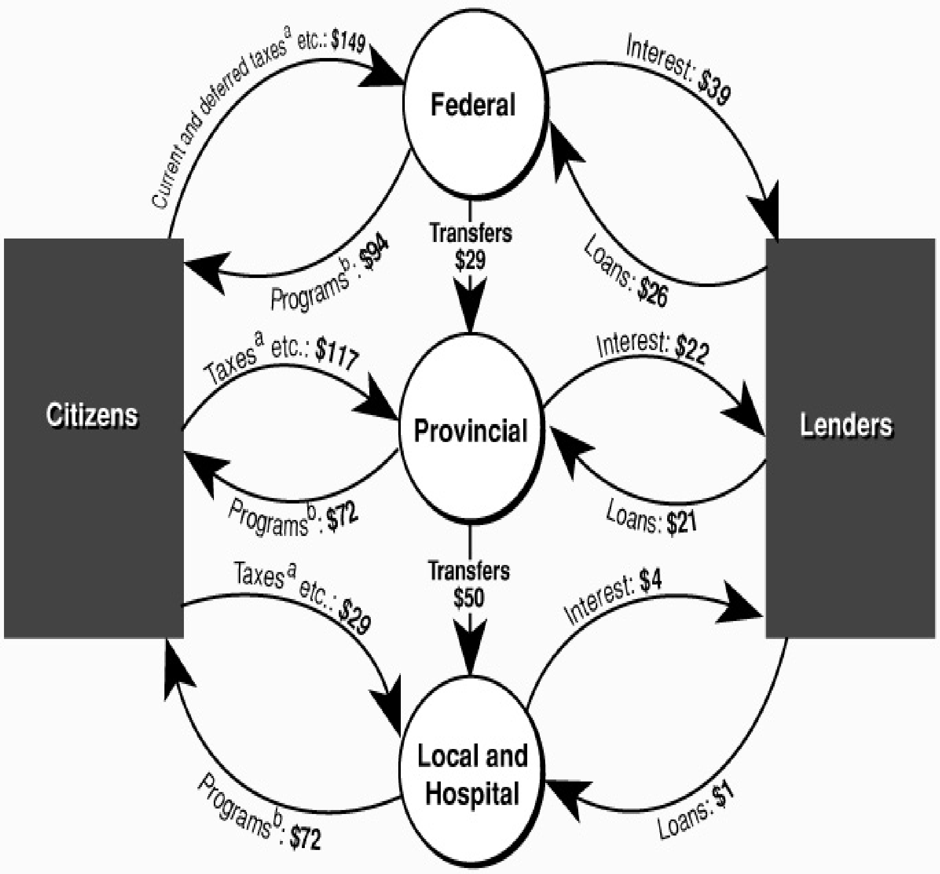
**Job Stability,**
**Canada and Other OECD Countries, 1991**




SOURCE: OECD, *Employment Outlook* (Paris: OECD, 1993).

# The Federal Fiscal System

In billions of dollars




a Current and deferred taxes = All revenue except investment income plus net borrowing.

b Program expenditure = Total expenditure – interest on public debt and transfers to other governments.

SOURCE: National Income and Expenditure Accounts.

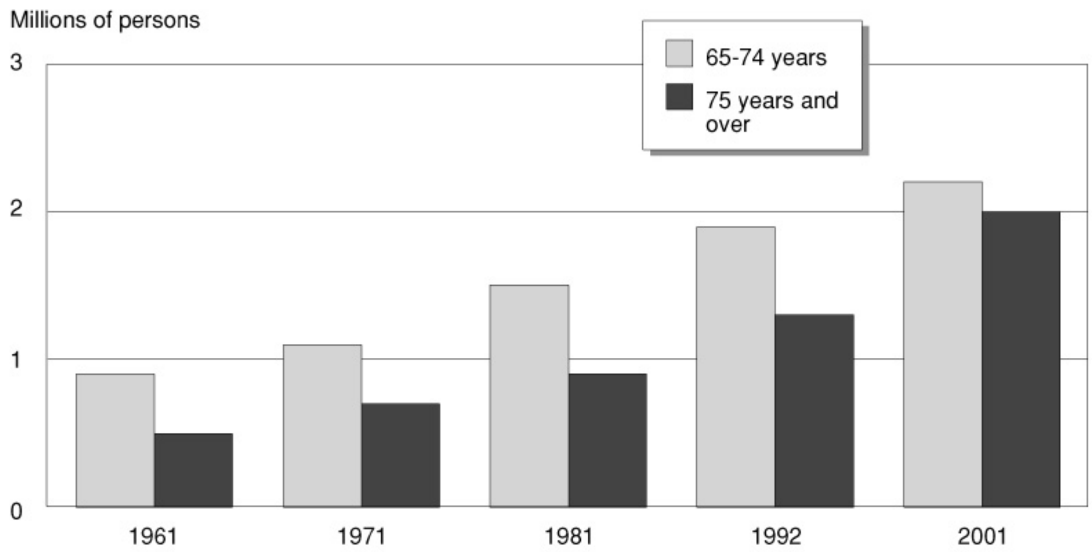
## International Rankings of Cost Control and Health System Performance in the 1980s

| | | Value of the group score[1] |
|---|---|---|
| **Cost-control variables[2]** | | |
| Group 1 | Denmark | 1.37 |
| Group 2 | Ireland, Sweden | 0.58 |
| Group 3 | Japan, Luxembourg, Switzerland, Spain, United Kingdom | 0.46 |
| Group 4 | Austria, Netherlands, Germany, Australia, New Zealand | –0.07 |
| Group 5 | Belgium, Finland, Italy, Norway, Canada, France, Greece | –0.37 |
| Group 6 | United States | –2.22 |
| Cronbach's alpha = 0.75 | | |
| **Performance variables[3]** | | |
| Group 1 | Japan | 1.40 |
| Group 2 | Ireland, Italy, Germany, Austria, Sweden | 0.70 |
| Group 3 | Netherlands, United Kingdom, Switzerland, Greece | 0.39 |
| Group 4 | Australia, France | –0.07 |
| Group 5 | Denmark, Finland, Spain, New Zealand | –0.28 |
| Group 6 | Canada, Norway, Luxembourg, Belgium | –0.85 |
| Group 7 | United States | –2.11 |
| Cronbach's alpha = 0.50 | | |

1 Variation from the mean index, set at zero.
2 The difference between projected and actual expenditures per capita on health care. Projections are based on GDP.
3 A composite of overall health expenditure indexes standardized for GDP and population and of the state of public health (life expectancy and infant mortality).

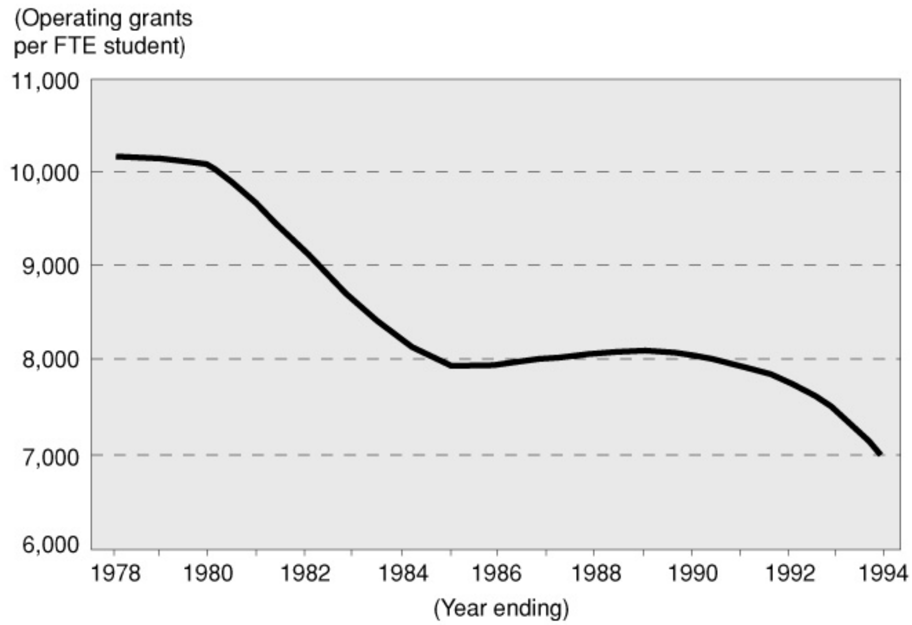
SOURCE: André-Pierre Contandriopolous et al., "Regulatory Mechanisms in the Health Care Systems of Canada and Other Industrialized Countries: Description and Assessment," Health Care Working Paper No. 93-01, University of Ottawa.

**The Elderly Population in Canada**




SOURCE: Statistics Canada.

**Operating Grants to Universities per FTE Student, Canada, 1977-78 to 1993-94**
(Constant 1993-94 Dollars)




SOURCE: Council of Ontario Universities, *The Financial Position of Universities of Ontario*, 1994.