SECTION C
ADMINISTRATIVE ECONOMIES

CHAPTER I. Union of Certain Provinces
CHAPTER II. Avoidance of Overlapping and Duplication
SECTION C
ADMINISTRATIVE ECONOMY

Chapter I. Role of Economic Policies

Chapter II. Accumulation of Capital and Development
SECTION C

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The Commission believes that its recommendations on public finance and the reallocation of social services will, if implemented, make possible not only economies in government by a reduction of overhead costs but will facilitate as well the adoption of constructive policies which should tend to enlarge the national income and in this way to lessen the proportion of the taxpayers' income exacted by governments. The Commission regarded its inquiries into public finance and the allocation of jurisdiction as of major importance and distributed its time and energies accordingly. But the terms of reference refer specifically to increases in expenditure due to "overlapping and duplication of services as between the Dominion and provincial governments in certain fields of activity". The Commission, therefore, made special inquiries into this phase of Dominion-provincial relations. This section summarizes the results of this examination.

From various submissions made to the Commission and from discussion in the press, it appears evident that there was considerable missapprehension as to the main purposes of the Commission's inquiry. It seems to have been assumed in some quarters that this Commission—like the May Committee on National Expenditure in Great Britain—was charged with examining the public services and public policy in general with a view to recommending detailed reductions in governmental expenditure. But the terms of reference give no such express instructions. In any case it would obviously have been inappropriate for one government in a federal system to appoint a commission to examine into and pass judgment upon the administrative services and public policies of other autonomous governments. The Commission believes that its functions were more fundamental. It thinks that its researches and main recommendations have laid the ground-work for every government in Canada to institute inquiries into its own policies and its own services if it so desires. In particular the Commission wishes to draw attention to its statements of the public finances of the Dominion and of each of the provinces which, by reducing the finances of all governments to a common accounting basis, have provided for every government a yardstick by which it can measure the cost of its services in comparison with those of other governments.

But the taxpayer should be warned that sweeping reduction in governmental expenditures in Canada could not be made without a severe shock to the national economy, and, for the time being at least, a severe setback in the national income to which many governmental expenditures undoubtedly contribute. The bare deadweight cost of government at its various levels forms a surprisingly small proportion of the total governmental expenditure, and even if substantial economies could be effected in it they would correspond to but a small fraction of the annual taxation imposed on the people of Canada. The cost of debt service, for example, can only be reduced if maturities occur when governmental credit is good or if some arrangement can be made for anticipating maturities when interest rates are favourable, unless, of course, a policy of repudiation of contractual obligations is adopted. The cost of social services and of education is almost equally rigid except that in certain contingencies governments in Canada have found it expedient to make certain reductions in the salaries of civil servants and teachers. But the limits within which such a course can ever be desirable, before the "sacrifices all round" involved in general taxation are called for, are very narrow. Substantial reductions in developmental services could only be effected at the expense of the national income which Canada can ill-afford to reduce. Such services may be ill-judged or wasteful, and plans made when prospects were bright may have to be revised. But there are many types of maintenance and developmental services which it is shortsighted economy to discontinue, just as there are conservation services which it has been shortsighted not to institute. From time to time great expenditures also become inevitable because of national emergencies such as war, and in such circumstances economy is likely to seem of minor importance.

1 With reference to reduction in civil service salaries the May Committee Report (Cmd 3920, p. 25) quoted with approval the remarks of the Anderson Commission on the Civil Service in Great Britain (Report of July 25, 1923):—

"... employees of the Crown would have a real ground for complaint if their pay were related to wages in industry only in the time of low wages. If they do not get pay relative to the boom they must be spared the severity of the slump.

The State as a model employer offers security, a pension, a dignified service, and a moderate wage in exchange for the excitement and possibilities of private employment."
On the whole it is to expansion of the national income, i.e., of taxpayers’ income, rather than to substantial reduction in expenditure that taxpayers must look primarily for relief, for as their income increases taxation at its present level will become a smaller and smaller proportion of that income. In a large measure the expansion of the national income is dependent on external conditions over which Canada has no control. But the economic weapons in the hands of government, and particularly of the Federal Government, may be of importance for increasing the national income. The Commission, however, refrains from making specific recommendations on the proper policies for achieving this end. It was not empowered to advise on public policy as such; its function is rather that of advising how the burdens and functions of government and the sources of governmental revenue may be most efficiently distributed with due regard to the “proper carrying out of the federal system”. It is the Commission’s hope, however, that its recommendations in these respects will not only conduce to more economical and efficient administration, but will also facilitate the adoption of public policies for the expansion of the national income.