

# DID YOU EVER STOP TO THINK —

TORONTO  
CANADA



137 Wellington  
Street West

Brief No. 1

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## HOW CIVIC EXPENDITURES IN TORONTO MAY BE REDUCED?

### *Story No. 1*

It is an orthodox doctrine and a trite saying, but nevertheless true, that the first and fundamental step in a campaign to reduce current expenditures is to

### **Balance the Budget**

Including all current expenditures\* of the year, but excluding debt charges on debentures issued for net unemployment relief, civic current budgets since 1932 have been unbalanced as follows:

|            |             |
|------------|-------------|
| 1933 ..... | \$2,388,552 |
| 1934 ..... | 2,529,629   |
| 1935 ..... | 2,242,876   |
| 1936 ..... | 901,036     |

That is, current expenses properly chargeable to these years exceeded current general revenues by these amounts.

The 1936 budget was more nearly balanced than any since 1932 as it provides for \$585,340 of direct relief expenditures other than overhead costs out of current revenues.

\*Including, of course, all direct relief expenditures funded or otherwise.



## So Far So Good

But it is not good enough. The piling up for four years of debt charges on debentures issued for current purposes which leave behind no corresponding balance sheet assets, makes extremely difficult the return to normal financing. But a beginning must be made or, rather, the beginning made last year must be reinforced by the assumption in the 1937 current budget of at least a million dollars of the cost of current unemployment relief.

The real deficit should also be shown and the amount of the debentures to be issued to meet the deficit.

## Not Increased Taxes But Decreased Expenditures

Balancing by increased taxation means a greater burden on production and therefore a handicap on the absorption of the unemployed into business and industry. It means a slowing up of the decrease in accumulated tax arrears. It makes harder any future attempt to reduce expenditures. It is evident that if the budget is to be balanced, expenditures must be cut and in such a way as not to necessitate increased expenditures later.

## Stimulating Business and Industry

Grants to Industrial Commissions may be largely nullified by increased taxation. The real bonus to business and industry and an excellent way to hasten the absorption of unemployed but employable labour into business and industry, under the existing economy, would be to reduce the relative cost of government, as taxation has come to be such an important part of the overhead of private enterprise.

## Some Significant Facts

| Per Capita                    | 1929<br>Actual  | 1934<br>Actual  | 1935<br>Actual  | 1936<br>Est.    |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Total Current<br>Expenditure* | \$ 57.58†       | \$ 64.91        | \$ 63.99        | \$ 62.22        |
| Total Current<br>Revenue**    | 57.75           | 61.00           | 60.84           | 60.82           |
| Surplus or<br>Deficit . . . . | 0.17<br>Surplus | 3.91<br>Deficit | 3.15<br>Deficit | 1.40<br>Deficit |

\*Less debt charges on direct unemployment relief debentures but including ratepayers' share of Local Improvements (net).

†No relief debt charges as all direct unemployment relief paid out of current funds.

\*\*Including ratepayers' share of local improvements (net).



## Easy Come, Easy Go

During 1934, 1935 and 1936, the taxpayers paid in interest on unemployment relief expenditures about \$550,000. This represents the penalty the taxpayers pay for allowing current expense to be funded instead of insisting that current costs be met out of current revenues. What the interest bill for this item will be by 1940 depends on action to be taken in the near future. Postponing payment does not reduce but increases final cost.

In fact the debt charges on direct unemployment relief debentures shown in the 1936 budget plus the amount for direct unemployment relief expenditures included in the 1936 budget already exceeds the cost to the city of said relief in 1933 by over \$10,000. Such results are to be expected from a policy of funding current expenditures and letting the taxpayers assume that the budget is balanced. Issuing debentures for current expense increases the cost not only through interest charges but through the failure to scrutinize expenditures out of borrowed funds as severely as those which immediately affect the tax rate and through the false sense of security which an "adjusted" budget gives.