

DID YOU EVER STOP TO THINK—

TORONTO
CANADA



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HOW PUBLIC REVENUES SHOULD BE DIVIDED

Civic Budget Making from 1936 on

will be radically different from that of 1936 and previously. The income tax is apparently to disappear from the revenue just as Old Age Pensions and Mothers' Allowances are to disappear from the expenditure side. Provincial assistance for direct unemployment relief costs on the revenue side is diminishing and the gross costs of direct unemployment relief are diminishing or are destined to diminish.

From the standpoint of public policy, the assumption of local costs of Old Age Pensions and Mothers' Allowance is a recognition of the principle that much welfare cost being caused by services to persons is a proper charge against the income tax revenue collected from persons. In effect, it is a relative lowering of the burden in municipalities which had little or no income tax revenue.

Direct unemployment relief is a service to persons and may be regarded as a proper charge against income tax revenue collected from persons. The drying up of local revenue from income tax or the non-assumption of local costs of direct unemployment relief by the Province, which controls the income tax, and by the Dominion, tends, in effect, to place on real property a greater burden of welfare

taxation and to cause a relative increase in the tax burden on those municipalities which formerly collected or received large revenues from income tax.

If the Province had assumed Mothers' Allowances, Old Age Pensions and Direct Unemployment Relief, most municipalities of all classes would have immediately benefited and the theoretical basis of charging those welfare expenditures which are not of direct value to real estate to other forms of taxation would have been "honoured in the observance".

In fact, to many, the assumption by the Province of direct unemployment relief would seem even more logical than the assumption of the total costs of Old Age Pensions, and Mothers' Allowances. These are more nearly allied to the regular welfare expenditures which have always been locally borne. People normally, in times of depression and of expansion alike, get old in all communities and bereavement falls everywhere. Such old people and bereaved families have been as it were, the problems of the community family. Direct unemployment relief as distinct from chronic relief is on the other hand a problem falling very unequally on different communities and about which the local municipality can do little or nothing constructive. Provincial and National governments can. The condition, if it is to be removed and not simply endured, must be treated constructively and therefore by the provincial and national authorities who can do something about it. It is frequently said that wealth and income tend to gravitate to urban centres. It is fortunate for cities and urban centres that this is true **for along with increased income goes increased cost.**

On the whole, municipal costs and municipal taxation tend to increase faster than does population. This seems inevitable. The costs of sanitation, public health, recreation, police, fire, roadways shoot up, and much of the additional revenue in the hands of the people

is commandeered for local public revenues. It has yet to be proved that the exploiting of the urban taxpayer is of real service to the non-urban taxpayer. Short term political advantages may be outweighed by long term economic disadvantages.

If the province is to take to itself the entire proceeds of the income tax, unless it is to leave the municipalities which have levied income tax in the past financially weaker and with available revenues at a lower level in relation to the necessary expenditures than before, it must, as the proceeds of the income tax attain the levels of 1930 and previously, assume an increasing proportion of social and welfare expenditures from time to time. In 1931 the City of Toronto had a revenue from personal income tax in excess of \$2,400,000, and in 1936 from all sources \$1,365,000, so that the loss to the city is not \$1,212,067, the sum included in the 1936 estimates as a refund from the government, less the welfare expenditures assumed by the government, but probably a much larger sum, which will represent the average proceeds of the personal income tax in non-depression years, on the basis of the municipal tax-rate, less the expenditure in succeeding non-depression years, on Mothers' Allowances and Old Age pensions, which of course may continue to increase.

Canada belongs to the people of Canada and not to any party, section or special interest. The public revenue structure should be the one which will best conserve the rights of all. If there ever was a time when a just national programme of taxation and public revenues was desirable, it is now, and such a just basis can only be reached by an impartial examination of the whole field of revenues and expenditures in the three—and sometimes four—levels of government, and an ungrudging consideration of the rights of all parties concerned. It cannot be arrived at by a struggle for funds between the different authorities or by the exercise of superior powers without adequate

consideration of the needs of subordinate authorities. Should not each level be charged with appropriate duties and provided with adequate revenues to discharge these duties? Does any one seriously believe that the resources of the Canadian people are not adequate, properly administered, to provide all the public services which should be undertaken in their interests? Is there not enough patriotism in Canada not only to bring about co-operatively a *modus vivendi* between the levels of government as to the distribution of public function and revenues, but to establish a national pattern of public administration and finance fitted to our national needs and sufficiently flexible as to be adjustable to inevitable changes?

The reported action of the Provincial Government in appropriating the total proceeds of the income tax on persons and reducing the relief grant should not, however, as unfortunately seems possible, be used as an "alibi" for a city tax rate higher than is necessary and for delaying that thorough revision of expenditure and administrative methods which has been possible, except for reasons of civic politics, at any time in the last five years and is now unavoidable unless the interests of local property taxpayers are to be further sacrificed.