

## The Federal Spending Power

### Chapter Summary

The spending power of the federal government – specifically, its uses, expansion, and contraction – is highly debatable and controversial in both Canadian practice and theory. In this chapter, Dunn examines the historical and current relevance of federal government spending in Canada in five time periods. The first period, post-World War II (1945-1969), was a period of federal dominance in Canada; the second period represented the era of constitutional reform from 1969 to 1992; third was the partnership push during the years of 1992 to 2006; fourth was the constitutional reform and open federalism characterized primarily by former Prime Minister Stephen Harper; and final is Dunn's perspective on Prime Minister Justin Trudeau's leadership, questioning whether it is more collaborative or unilateral.

Since World War II, there have been three kinds of spending powers exercised by the federal government: payments to individuals and institutions, shared-cost programs, and unconditional grants. Under shared-cost programs, the federal government in 1977 developed its Established Program Financing (EPF), which changed the allocation of cash grants to a combination of cash and tax points. Then, in 1996, the federal government developed the Canada Health and Social Transfer (CHST), which included funds for health, post-secondary education, social assistance, and social service programming for the provinces. Throughout his analysis, Dunn refers to the economic policy of John Maynard Keynes (or Keynesian economic policies) that dominated the political decision-making of Canada's federal government after World War II, during a period of spending and resurgence. He also tracks how this particular policy began to lose popularity over time in Canadian political thought.

Major reforms in spending power between the federal government and the provinces are also discussed in an examination of three dynamics: country-building, province-building, and Quebec nation-building. This changing balance of federal and provincial power was particularly reflected in various constitutional reforms that sought to realign federal and provincial governments with more of a "partnership" arrangement. However, the Social Union Framework Agreement

(SUFA) was established in 1999 to outline the federal social spending power of Canada's federal government among other factors. With the election of Stephen Harper in 2006, the federal government's spending powers were influenced by a new inter-governmental philosophy deemed "open federalism," which analyzed the government's powers and Harper's approach to "recession federalism" which was challenged during the post-2008 global economic crisis.

## **Annotated Weblinks**

- 1) <http://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst01/govt05a-eng.htm>.

This Statistics Canada report on government transfer payments identifies the specific federal transfer payment made to individuals from 2005 to 2009, including several indicators, such as the Consumer Price Index (CPI) and the Gross Domestic Product (GDP).

- 2) <https://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2017/vol3/s9/justice-eng.html>.

This site identifies, by province, the shared cost expenditures of programs, from their inception to the accumulated expenditures provided by the federal government.

- 3) <http://www.thecanadianencyclopedia.ca/en/article/intergovernmental-finance/>.

The Canadian Encyclopedia's entry on intergovernmental finance describes and explains the financial relationship between Canada's federal government and its provinces and territories.