

Address to the Toronto Canadian Club
December 2, 1968
by the Honorable E. C. Manning, Premier of Alberta

"The Fork in the Road"

Mr. Chairman and Gentlemen:

There is a particular reason why I welcome the opportunity to speak to this representative group of business and professional men. During the 28 years I have been in public life, I have watched with growing concern the development of certain trends in our national life. Some of these are now reaching such proportions that it is important that they be brought clearly to the attention of the Canadian people, and especially to men who are leaders in their respective fields and communities.

It is a well known fact that the past quarter of a century has witnessed some significant highlights in human experience. The greatest of these was, of course, the last world war when civilization's destiny hung precariously in the balance. This was followed by a series of post-war problems in both domestic and international affairs. The past 25 years also have been marked by unprecedented technological and scientific progress. New and far reaching advancements in the physical sciences have, to a large degree, removed from our world of today the once impregnable barriers of distance, time and space. These spectacular developments have tended to divert public attention from the equally significant evolution that has taken place in social and political thinking during this same period.

The social and political evolution to which I refer has been stimulated by the technological and scientific progress that has made physically possible, at least to the people of this continent, standards of living and varieties and types of goods and services unknown to previous generations. Society's reaction to these developments has evolved through three significant phases.

Men first regarded these new and higher standards as unique new possibilities to contemplate. They then came to regard them as realities to be acquired, through individual initiative and personal enterprise. They have now come to regard them as rights to be demanded and expected from the state.

Most thinking people will agree that we are now well into this third phase of social evolution. During the first two phases, individual initiative and personal enterprise were the dominant factors in the attainment of our goals. In the present phase, individual independence and personal responsibility are giving way to more and more collectivism and acceptance of the socialistic concept of the welfare or paternal state.

This trend has now developed to the place where an ever increasing number of people are expecting and demanding that the state provide not only for their actual needs but for their desires in an ever increasing number of fields and that the state assume this responsibility for the entire span of their lives, from the cradle to the grave.

An integral part of this welfare state philosophy is the dangerously false belief that services provided to individual citizens by the state are free services as far as the people involved are concerned. This popular fallacy has become widespread and deeply entrenched. Today, all governments face innumerable demands from vocal pressure groups, based on the fallacious assumption that if the state assumes the financial responsibility for services, they previously paid for individually, those services will become free services to the recipients. This dangerous fallacy is exploited by the politicians who seek to outbid one another in promising more and better free services of every kind, hoping thereby to gain the maximum measure of political support and public endorsement. The cold, hard fact of course is that the people themselves pay for all of these so-called free public services and, what is more, services provided through governments are seldom less, and are usually more, costly than when paid for directly by the recipient. The intrusion of a government as a middleman between those providing a service and those who are the recipients inevitably increases the aggregate cost.

The consequences of this dangerous current trend are becoming more and more obvious. Many citizens are increasingly disturbed by the tremendous growth of government and by the inroad of government into almost every phase of business and private life. There is valid reason for this concern. Recent figures indicate that one of every six workers in the United States today is employed by some level of government. Of all spending for goods and services, government spending accounts for \$1.00 out of every \$5.00 spent. One dollar out of every \$4.50 of personal income is accounted for by direct government payments in one form or another. Of the total outlay for construction, \$1.00 out of every \$4.00 is a government expenditure. The trend, in Canada, is following the same pattern. The financial implications are becoming increasingly clear. In 1950, in Canada the cost per capita to operate our three levels of government, federal, provincial and municipal, amounted to \$280. By the year 1960, the cost had increased to approximately \$570 per capita. The Canadian people at the present time are paying over \$30 million a day, or approximately \$1,250,000 an hour to operate their three levels of government. What is more, the "built in" costs in government programs already in operation ensures a steady and rapid increase in these expenditures in the days ahead. This factor is in fact more disturbing than the current high levels of government spending. Any citizen who is still indifferent to the cost of financing government expenditures need only project the current trend another five or ten years in the future and there will be no doubt in even the most optimistic mind of the seriousness of the trend already established.

It is an indisputable fact that the shift of financial responsibilities to governments is more rapid than the increase in taxation to enable governments to pay the bills for which they are assuming responsibility on behalf of the citizens comprising society. The reason is obvious. There is widespread willingness to shift financial responsibility to governments but, at the same time, there always is vigorous resistance to any increase in tax levels.

Faced with pyramiding expenditures and inadequate incomes, governments are resorting more and more to large scale deficit financing to enable them to carry on. While deficit financing has a proper place in fiscal policy when used to level temporary fluctuations in either government receipts or expenditures, it is wholly unsound to regard deficit financing and public borrowing as a magic formula by which to raise annually the additional revenues required to pay the cost of established public services. This year, the federal treasury will have its seventh consecutive deficit in an amount of at least 700 million dollars. The aggregate estimated deficits of provincial governments, this year, are another 350 million dollars, to which must be added at least 300 million dollars of additional deficits incurred at municipal government level. This means that for the current fiscal year, the three levels of government in Canada will be spending at least one billion, three hundred and fifty million dollars more than they are receiving in revenue. All of this money must be borrowed and represents an increase in one year of \$70 per capita additional public debt, which is equivalent to approximately \$300 for each Canadian family.

At the recent Federal-Provincial Fiscal Conference, there was a great deal of discussion and debate about a more equitable formula for the redistribution of aggregate federal and provincial government revenues. The cold, hard fact with which the conference did not come to grips is the fact that aggregate expenditures to which the federal and provincial governments already are committed will be more than one billion dollars in excess of the aggregate revenues accruing to those governments this year.

Surely it is obvious that under these circumstances, federal-provincial financial problems cannot be resolved merely by juggling the formula for the redistribution of an inadequate aggregate amount of public revenue. Nothing is solved by endless arguments over different methods of cutting up a pie that simply is not large enough to satisfy the public appetites which governments in Canada have committed themselves to satisfy.

The compound problem we must face and solve is how to increase revenues to meet costs and/or how to reduce expenditures until they come into line with the amount of revenue the public is prepared to provide.

To resolve these problems, we must do something far more than clarify the proper division of responsibility as between different levels of government. We must also decide and define the proper division of responsibility as between governments and citizens as individuals. I have already pointed out that the present trend is for governments to assume more and more responsibility, financial and otherwise, for those services which citizens formerly obtained for themselves. Before we buy the proposition that this is desirable and should continue, we should take a long hard look at the price tag attached. That price tag lists four inescapable consequences:

- (1) Continued pyramiding of taxation and debt with an inevitable day of reckoning in the not far distant future.
- (2) Higher and higher price levels which adversely affect our domestic standards of living and prejudice Canada's position in external markets.
- (3) The continued growth of government and government bureaucracy.
- (4) The progressive loss of individual initiative, independence and freedom.

I submit that this is too high a price to pay for the doubtful, temporary benefits of a welfare state.

There is a sensible alternative available to the Canadian people. It is sensible because it would put a proper limit on the amount of financial responsibility governments would assume for the welfare of individual citizens, thereby avoiding the evil consequences of the present trend. In the case of those whose circumstances make it impossible for them to provide for themselves, the state is quite justified and indeed has an obligation to assume full financial responsibility not to fulfil all their desires but to see that their legitimate needs are met. This is particularly true in the case of the aged and infirm and also in the provision of public and high school education which rightly has come to be regarded as a responsibility which society collectively should assume.

In other social welfare fields, my submission is that government responsibility should be limited to the extent necessary to bring the benefits of modern progress within the financial reach of all citizens who are willing to assume their rightful individual responsibility and exercise their own initiative and enterprise to attain the maximum measure of these benefits for themselves.

It is in this important matter of individual vs. state responsibility that we have, in Canada, reached a fork in the road. No society comes to a crossroad where it makes a ninety degree turn either to the right or to the left. Rather we come, from time to time, to the fork in the road of our social progress which diverts us gradually in one direction or the other, depending on which of the two divergent courses we choose. We are rapidly approaching a point in our national history where, individually and collectively, we must make this choice.

In facing this issue, let us not sell the Canadian people short by assuming that the majority want welfare statism rather than the preservation of individual responsibility and independence and freedom. The fact is the Canadian people have not, thus far, had a clearcut opportunity to declare their choice in this important matter. Theoretically, this is a choice the people of the nation can make by the exercise of their franchise. In actual practice, this is no longer the case. Many of our politicians and most of our political parties, in their desire to obtain support from the largest number of people, have compromised the original principles for which they stood until they have become all things to all men. Consequently, the citizen today, in casting his ballot for the program of any party, is endorsing a conglomeration of free enterprise and state socialism and everything in between. This does not afford the citizen an opportunity to express his choice either on one side or the other. My claim is that the people of Canada are entitled to that opportunity.

In reaching their decision in this matter, they are also entitled to expect leadership not only from their governments but from business and professional men and from all whose training and practical experience qualify them to appraise these matters objectively. Let us then each resolve to reach, and to help others reach, a wise decision in this important matter knowing that the future of our nation depends on the course we choose as we approach this important fork in the road of our national progress.

May I add one further observation for your consideration. It is a matter of history that the more materialistic a society becomes the greater the public demand for more and more material benefits to be provided at the expense of the state. In other words, the society that adopts the philosophy that man lives by bread alone must not be surprised when the people comprising that society demand more and more bread. Only as people recognize that there is more to life than material security will the craving for that security be tempered by an appreciation of the value and importance of things spiritual and eternal, including the priceless assets of personal freedom and independence which man as a created personality inherently desires.

In short, when the One who spoke with the authority of Deity said "man shall not live by bread alone ..." He was not only stating sound theology but sound economics for only when men see in proper perspective the spiritual as well as the temporal needs of man is there a lessening of materialistic pressures which otherwise tend to economic and political and social chaos. We would do well to heed His counsel.