

7.—Government Expenditure, 1939, 1943-49

(Millions of dollars)

NOTE.—Figures for the year 1942 will be found at page 383 of the 1950 Year Book.

Item	1939	1943 ¹	1944 ¹	1945 ¹	1946 ¹	1947 ¹	1948 ¹	1949 ¹
Purchase of Goods and Services—								
Excluding Mutual Aid, etc.	724	3,712	4,065	2,850	1,735	1,524	1,778	2,088
Mutual Aid, UNRRA ¹ and Military Relief	—	518	960	858	97	38	19	—
Transfer Payments—								
Interest	172	261	319	402	455	465	462	475
Other	249	210	261	546	1,106	841	863	905
Subsidies	-17	211	267	262	236	180	76	79
Totals	1,128	4,912	5,872	4,918	3,629	3,048	3,198	3,547

¹ Exclusive of Newfoundland.

For purpose of analysis, expenditure by government may be divided into two main categories: expenditure for the purchase of goods and services; transfer payments, such as: family allowances, old age pensions, veterans benefits, and the greater part of interest on the public debt. The first category represents the demands which governments place on the annual output of the nation. Transfer payments, on the other hand, may be considered essentially as transfer of income from one part of the community to another and simply add to the sums available for spending or saving by the recipient.

During 1949, government expenditure on goods and services increased to \$2,088,000,000 compared with \$1,797,000,000 in 1948 and \$1,562,000,000 in 1947. As mentioned on p. 328 the increase in 1949 was largely accounted for by increased defence expenditures and larger outlays by the provincial and municipal governments on public health, hospital care, maintenance of highways, education and certain capital expenditures. Transfer payments increased by \$55,000,000 from \$1,325,000,000 in 1948 to \$1,380,000,000 in 1949; subsidies increased from \$76,000,000 to \$79,000,000. Using definitions appropriate to the national income accounts the surplus of revenue over expenditure was \$464,000,000 in 1949 compared with \$766,000,000 in 1948. The decline in 1949 was due to increased expenditure without a corresponding increase in revenue. The 1949 surplus was attributable wholly to the Federal Government since the provincial and municipal governments combined showed a deficit of \$51,000,000.

During 1949, gross home investment was \$342,000,000 less than in 1948. Investment in housing increased by \$106,000,000 and investment in plant and equipment by \$60,000,000. However, this was more than off-set by a \$508,000,000 decline in the rate of inventory accumulation.

Net foreign investment, the excess of exports over imports, fell from \$418,000,000 in 1948 to \$162,000,000 in 1949 due to a slight falling off in exports and a considerable increase in imports. In both 1948 and 1949 government surpluses helped to bridge the gap between private saving and high levels of investment.