

taxpayers of various tax credits and loss carryover provisions.

22.1.2 Gross general expenditure

Gross general expenditure (Table 22.3), for the fiscal year 1985-86, increased by only \$3,049 million (2.6%) compared to the \$12,415 million (11.8%) increase in 1984-85. The increase was due mainly to growth in outlays on debt charges and the functions: social security, protection of persons and property, and transfers to enterprises. The growth was partially offset by significant declines in expenditures on the functions: resource conservation and industrial development, housing, and transportation and communications.

Debt charges increased \$3,498 million (17.1%) to \$23,993 million in 1985-86, reflecting the increase in unmatured debt outstanding during the year.

Expenditures on the social security function rose by \$1,897 million (5.1%) due to increased spending under the Old Age Security program, which was up \$1,107 million, and the Canada Pension Plan, which was up \$685 million.

Protection of persons and property rose by \$1,022 million (9.4%). The two main factors contributing to the increase were a payment of \$791 million to the uninsured depositors of the Canadian Commercial and Northland Banks and higher defence spending of \$120 million, reflecting Canada's commitment to its NATO allies. The increase in defence spending was partially offset due to the deferral of some capital spending to 1986-87.

Larger transfers to enterprises, up \$494 million in 1985-86, were attributable mainly to the \$1,188 million in surpluses contributed to Canadair Financial Corporation, through the assumption of long term debt by the Government of Canada. By comparison, Canadair Financial Corporation received \$300 million in 1984-85. This large increase in transfers to Canadair Financial Corporation was offset by lesser payments to other enterprises.

Expenditure on the resource conservation and industrial development function declined by \$2,852 million (26.1%), in 1985-86. The oil and gas sub-function was mainly responsible for this substantial drop as the petroleum compensation program and the petroleum incentive program were phased out in compliance with the Western Energy Accord.

Decreased spending on the housing function, down \$607 million (28.9%), was largely due to the phasing out of the mortgage protection program managed by Canada Mortgage and Housing Corporation (CMHC) as well as lower urban renewal payments and the termination of home insulation grants.

The main factors contributing to the decline in the transportation and communications function, down \$277 million (7.4%), were smaller payments to the Canadian Wheat Board for the purchase of hopper cars as well as lower subsidy payments under the Western Grain Transportation Act and the Railway Act.

22.1.3 Consolidated government finance

Data on each level of government — federal, provincial and local — constitute the basis of the intergovernment consolidation which is presented for the years 1981 to 1983 in Table 22.1. The consolidation process integrates the separate levels of government to reveal the fiscal framework of the public sector viewed as an economic unit. As a result, the numerous intergovernmental transactions, either as revenue or as expenditure, are eliminated in order to obtain a measure of the collective impact of all government transactions upon the rest of the economy, in terms of services provided and taxes collected.

22.1.4 General accounts

Tables 22.2 to 22.6 and 22.18 present financial statistics of the federal government prepared in accordance with the concepts published in *The Canadian system of government financial management statistics* (Statistics Canada 68-507). Financial statistics in Tables 22.7 and 22.13 are extracted directly from the *Public accounts of Canada*.

Table 22.4 provides details of the assets and liabilities of the federal government as at March 31, 1984 to 1987. Table 22.5 analyzes gross bonded debt according to average interest rate, and place of payment as at March 31, 1984 to 1987.

In addition to direct gross bonded debt, the federal government has assumed certain contingent liabilities. The major categories of this indirect or contingent debt are the guarantee of insured loans under the National Housing Act and the guaranteed bonds and debentures of Canadian National Railways. The remainder consists chiefly of guarantees of loans made by chartered banks to the Canadian Wheat Board, to farmers and to university students and of guarantees under the Export Development Act. Table 22.6 provides data on the contingent liabilities of the government as at March 31, 1984 to 1987.

22.2 Federal financial operations and control

22.2.1 Financial administration

The financial affairs of the federal government are administered under the basic principle set out