sufficient to balance the budget by 1998-99 could be found in subsidies to private and state-owned businesses (including agriculture), transfers to interest groups, defence, government operations, and the contingency reserves. A clear headed review of social spending would yield further savings in unemployment insurance, provincial transfers and transfers to the elderly.

Putting the budget on course for balance by the end of this Parliament would require two-year cuts of some $17 billion from this year's budgeted spending. As large as this cut appears to be, it would put the total 1996-97 spending in Canada back only around its level two years ago — hardly Draconian.

... AND THE WILL TO ACT

The government's aversion to such a modest package testifies to the power of short-run political fears to override much larger long-term economic and political benefits. Yet the prime minister, the finance minister, and their colleagues need only look ahead four years with the lessons of the recent past in mind. If 3 percent of GDP is all they can achieve, the outlook for the late 1990s is dismal. If they act decisively to balance the budget, the improvement in that outlook would be equally dramatic. Learning from the past will help them — all of us — avoid repeating it.

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THE FEDERAL SOCIAL POLICY REVIEW AND POST-SECONDARY EDUCATION

by Donald C. Wallace

The size and ferocity of the student protest against Axworthy's green paper caught many observers by surprise. Student leaders seemed to have stolen the march on university and college presidents and faculty members by mobilizing their opposition to the federal proposals and threatening strikes in protest. As the weeks passed, the extent of the Axworthy proposals was becoming more evident. They posited a massive restructuring of post-secondary education in Canada on a scale not witnessed since the 1960s.

THE BACKGROUND

When Established Programs Financing (EPF) was introduced in 1977, federal transfers to the provinces in respect of health and post-secondary education (PSE) were converted from a cost-shared basis to a combination of "tax points" (percentage points of the personal income tax) and cash. The federal government is also involved in PSE through the federal research granting councils — the Medical Research Council, the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC) — and the Canada Student Loans program. In 1976, Pierre Trudeau told a first ministers' conference that, in relation to PSE, the federal government was concerned "with matters such as accessibility, and with the great importance of the field for the development of our national life, our economy and technology, and so on. Provincial and federal government interests and concerns coincide in many of these areas, and the maintenance of high standards across the country requires the combined and coordinated efforts of both levels of government." Much as the health component of EPF was dedicated to the principle of universality, the PSE element was designed to promote greater accessibility and equity.

Although EPF was designed to grow at the same rate as the national economy, Ottawa has intervened unilaterally six times over the past 12 years to control the growth in EPF. The latest of these changes was introduced in the 1994 federal budget when Finance Minister Paul Martin indicated that the PSE portion of EPF — tax points and cash — would be held at 1993-94 levels beginning in 1996-97. The federal claim to "ownership" of the tax points is dubious at best; they should instead be regarded as provincial taxation.

Nevertheless, as the tax points increase in value as a result of economic growth, the cash portion of the PSE will decline and eventually disappear. The cash portion is valued at $2.6 billion this year and will decline to $2 billion in 1996-97.

THE GREEN PAPER

Although the green paper dresses up its principal option for change in the garb of "an expanded and permanent system of aid to individual learners based on loans and grants," the intention is clearly to reduce

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federal expenditures on PSE and to off-load the responsibility onto students through higher tuition fees. In specific terms, Ottawa would set up a $2 billion fund for loan capital with the loans to be repaid on an income contingent basis.

In a marvelous example of understatement, the discussion paper suggests that "it is true that replacing federal cash transfers would put upward pressure on tuition fees." According to the Association of Universities and Colleges of Canada (AUCC), university tuition fees would have to double in order to replace the lost federal grants. Higher tuition fees would also drive up the cost of the Tuition Fee Tax Credit by $340 million per annum.

Canadian universities have already witnessed some negative effects of high tuition fees on student demand. In November, Statistics Canada reported that part-time university enrollment fell for the second consecutive year after two decades of steady growth. The agency attributed the 6 percent decline to market conditions and increased tuition fees. This particular segment of the market is highly "price-sensitive." Paradoxically, the green paper puts much stock in the concept of "lifelong learning," which embraces periodic "retooling" after graduation, presumably on a part-time basis. Canadian universities have also experienced a noticeable drop in visa student enrollments, again because of high fees. There has been no suggestion that visa students would be eligible for the income contingent loans and the fee hikes are likely to be devastating on these enrollments. Since the EPF cash transfers also have an equalizing effect on provincial finances, their withdrawal is likely to have differential regional impacts. Dramatic increases in fees will be felt disproportionately by economically and socially disadvantaged individuals and will impair the values of accessibility and equity that EPF was supposed to safeguard.

The green paper asserts that "the federal government is committed to working with the provinces and territories so that reform of federal and provincial programs is mutually reinforcing." The Ontario minister of education and training recently declared that "using income contingent loan repayment as an excuse for boosting tuition fees or for deregulating fees to let post-secondary institutions charge whatever they want would not be acceptable to the Ontario government." The ramifications of uncoordinated decisions governing PSE support would be far-reaching and debilitating on universities and colleges that have already experienced large-scale cuts in provincial funding in recent years.

This move toward shifting the burdens of PSE financing is often justified by arguments related to the balance of fees and public grants in Canada as opposed to elsewhere, usually the United States. For example, Jeffrey Simpson of *The Globe and Mail* compared Canadian tuition fees with those in the United States and called on Canadian students to stop whining. US tuition fees are higher now, but so is government support in Canada for PSE. A rise in Canadian tuition fees accompanied by a commensurate drop in government grants would mean that public support would drop from 84 percent of the US average to 65 percent.

The Path Ahead

It is hard to predict where the debate will go from here. One concern that student leaders have consistently raised is the impact of greater debt on women. Even now, women borrow more to finance their educations, take longer to repay their loans, and experience greater financial difficulties if they are not in the job market. While income contingency offers some relief on the latter score, female graduates might face relatively longer periods of repayment and indebtedness than their male counterparts. Similarly, students from lower-income households would be understandably reluctant to take on considerable debt loads. Federal officials point out that two-thirds of students graduate without resorting to government loans, but even now 20 percent of students could end up owing upward of $26,000 at graduation. This group may be unwilling or unable to cope with a 40 percent larger debt burden even if income contingency were available.

At a national level, Canadian participation rates in higher education reach extraordinarily high levels. Some 70 percent of 20- to 24-year-olds participate in some form of higher education, more than three times the participation rate in the United Kingdom and the twice the level of participation in Australia, Denmark, and the Netherlands. There can be no doubt that existing funding mechanisms have succeeded in securing widespread access to PSE. The Axworthy proposals threaten this distinctive Canadian success story.

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