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**ADJUSTING TO ECONOMIC GROWTH IN TORONTO: AMALGAMATION
AND FEDERALISM**

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Introduction

This paper is concerned with how the Toronto-based economy adjusted to the problems of rapid economic and population growth and to political changes that were shaped by forces beyond its control. As a result, the City had to change its local government machinery, expand its infrastructure, and face many social problems with a revenue base setup to handle the pre-growth pattern of expenditures. The paper will discuss how two important functions of local government, local transportation and social services, were affected by the changes.

Background Material on the Development of the GTA

The City of Toronto was incorporated in 1834. After rapid growth early in the century, the population of Toronto grew at an average rate of about one per cent a year until the 1940s. At that time, the Toronto-based economy was essentially the city of Toronto, with three-quarters of the total population, surrounded by a fringe of commuter suburbs.¹

Table 1

	POPULATION: TORONTO AND THE GTA (thousands)		
	TORONTO	GTA	TORONTO as % of GTA
1941	667.5	1,036.8	64
1951	675.5	1,379.4	49
1956	667.7	1,721.2	39
1961	672.4	2,120.2	32
1966	664.5	2,539.9	26
1971	712.8	2,922.9	24
1976	633.3	3,180.1	20
1981	599.2	3,416.7	18
1986	612.3	3,733.1	16
1991	635.4	4,235.8	15
1996	653.7	4,628.9	14

Source: Statistics Canada and the GTSB Web Site. The data for 1941 are for the City of Toronto and the Census Metropolitan Area (CMA).

The pattern began to change in the late 1940s.² Population grew at about 4 per cent a year in the 20 years following 1941, with growth taking place mainly in the independent municipalities surrounding the City of Toronto (See Table 1).

By 1951, the City's population had stabilized and growth had shifted to the surrounding

municipalities. These municipalities were independent jurisdictions but they were economically tied to the extended Toronto economy. The administrative system had not changed and the new economy strained the capabilities of the municipal structure. Some kind of reorganization was clearly required.

The City proposed an amalgamation with its suburbs. The Province rejected this proposal in favour of a federation of independent municipalities, “which left as much power with the municipalities as possible and shifted to the [upper] Metro level only those powers necessary to deal with critical, regional problems. Only one program, *public transportation*, was shifted wholly to the Metro level.”³

The Province created the new multifunction Municipality of Metropolitan Toronto in 1954. This was a federation of the City of Toronto, the seven older inner ring suburbs and the four newer outer ring suburbs. From 1953 to 1998, changes were made in terms of the powers assigned to the two tiers of Metro and in other matters.

In 1998, the Province decided to merge the upper and lower tier governments of Metro into a new and greatly enlarged amalgamated City of Toronto.⁴

The Province also decided that the costs of many programs paid in whole by the Province or cost-shared with the Municipalities would be downloaded from the Province to the Municipalities.⁵ The final major change was the creation of the Greater Toronto Services Board (GTSB) to operate the Go Transit System for six regional governments and to coordinate transit, planning, sewer and water services among the five regional governments of the GTA.⁶

Metropolitan Transportation

Development of the current pattern of transportation begins with economic and population growth since the 1940s. New industries were created, characterized by higher productivity. Scarcity of labour resulted in relatively high wages,⁷ which attracted immigrants into the metropolitan region. With the growth of population and incomes, land for both housing and business use within Metro became scarce. Land prices increased.

The limited supply of land in the Metro region became evident in the transportation sector. Congestion was increasing, slowing down commuters, service and delivery vehicles and the movement of freight. Economies of urban agglomeration were being lost and business costs were increasing.

Transportation within Metro

Within Metro, movement from the central core into the suburbs was facilitated by public transit, such as buses, street railways and later the subway system. Since 1921, the Toronto Transit Commission (TTC) has operated the system as a monopoly. Taxis were excluded but the City licensed them, and the number of licences was limited. But there were few restrictions on private motor vehicles,

the main ones being: traffic regulations such as parking, restrictions on commercial and other heavy vehicles in residential areas and travelling through particular areas at certain times of day.

One result of suburban automobile commuters, commercial vehicles and bus passengers all trying to get into and out of the downtown area at the same time was congestion. This was partially solved by the building of a city subway within the Metro boundaries, and some expansion of highways.

However, the coming and going of trucks and commercial vehicles is an essential component of the economy of a large, bustling city, and their function could not be assumed by the subway. Public transit competes with private automobiles in commuter transportation to the centre of the city, but as the declining ridership statistics indicate, public transit is increasingly regarded as an inferior good by higher-income travellers because of the greater home-to-workplace travel times, less convenient service and less physical comfort.

The City of Toronto and supporters of the Toronto Transit Commission (TTC) believed that congestion would be reduced by placing restrictions on the use of motor vehicles within Metro, and that the restrictions would at the same time induce more commuters to take public transit, where the number of riders had been declining in per capita terms. (See Table 2) These pressures on location received an additional boost in 1971, when the Provincial Government halted construction of the Spadina Expressway,⁸ which would have linked the northwestern suburbs to central Toronto. The decision was not welcomed in the suburbs, but it was welcomed in the City of Toronto, where the anti-car movement was strongest, and by supporters of the TTC.⁹ It was followed in 1974 by the cancellation of the Scarborough Expressway, which would have performed a similar function as Spadina for the northeastern suburbs.¹⁰

The response to these additional constraints, though not immediate, was to accelerate the migration of population and industry to the outer areas of the Toronto-centred economy, now known as the Greater Toronto Area (GTA).

Table 2
Toronto: Public Transit Patronage
Transit Rides Per Capita (Gross)

1945	354
1965	143
1986	207
1991	186

Source: *Sustainable Cities*, No. 6, Spring/Summer 1993

The Alternative to Metro

Toronto and the surrounding region is located on a flat plain, with an ample supply of fresh water. It is well serviced, with a satisfactory supply of electric power, supplied by government-owned plants, mostly owned and operated by the Ontario Hydro Corporation. Towns and villages in the GTA region have water supply and sewage services adequate for urban living and industrial use. However, there is a vast supply of land in low-density use surrounding the City of Toronto (formerly Metropolitan Toronto): land use was not tightly regulated as in the City, nor constrained by the tight controls on urban land manifest in Europe.¹¹

Characteristics like these, when combined with accessibility to intra-city and intercity transportation, would provide a land use situation favourable to industrial expansion.¹² But in southern Ontario at the beginning of the Metro era, transportation planning was based on the concept of two regions. Within Metro, responsibility for transportation was shared between the Metro government and the Province, except for public transportation, which was handled wholly at the Metro level. Transportation in the surrounding region, conceived largely as a separate economy, was dealt with by the province, regional associations and local municipalities. This bifurcation of transportation decision-making meant that movement within the region as a whole (now known as the GTA) was constrained, and accessibility to the City was limited. Consequently, land prices beyond the City limits were significantly lower than in the City.

However this transportation situation was changed by the construction of highways outside Metro Toronto, which substantially reduced the barriers to the movement of goods and people. Now, nearly five decades later, “the new, expanded Toronto-based economy dominates the region. As far as transportation is concerned, we are not dealing with trade and commerce between two economic regions, but trade and commerce within one region.”¹³ The requirements of accessibility were in fact provided by the expansion of highway and other transportation facilities by federal and provincial programs.

The new highways of the 1950s and 1960s included the Trans-Canada Highway (begun in 1950 and completed in 1970), which provided federal grants equal to 50 per cent of the cost of construction for a paved, two-lane highway across Canada.¹⁴ The Ontario section was constructed considerably north of Toronto, but such was its impact on mobility within the city that the metropolitan area expanded northwards up to and beyond the TCH (Highway 401). Subsequently, highways linking outlying areas of the region to downtown Toronto were planned and constructed, mostly by the province.¹⁵

The effect that land price differentials would have on the distribution of population and industry within the GTA seems to have received little attention in the planning of the levels of government involved. It was not overlooked in the private sector, however.

For business, rising land prices, congestion and the costs associated with municipal regulation

could be avoided by moving to the outer area (Now GTA). Lower land costs enabled the adoption of techniques that substitute land for labour, (one-storey plants, assembly line techniques, etc.), and capital-intensive operations that reduced high labour costs associated with high wages. Since about 80 per cent of a truck's time is loading and unloading or waiting,¹⁶ obviously congestion and similar costs would be reduced in a GTA location. Moreover, a GTA location is much more accessible to interprovincial and international highways than a location within Metro. Access to national and international markets as well as to downtown Toronto is important for the new industries of the 1990s and beyond, because the boom conditions of globalization have furnished the demand for the goods and services provided by the Toronto region, and the basis for incomes and jobs that continued to attract immigrants.¹⁷

Housing markets in large, high-income metropolitan areas tend to be dominated by the prices of land relative to the costs of construction. In Toronto, relatively cheap land that has been made accessible to regional workplaces, shopping and cultural centres by good highways and automobiles, has drawn homeowners into the outer GTA, so much so that the residents exceed those in the City (see Table 1). Since median incomes in the so-called 905 area (the ring of four regions around Toronto) are substantially higher than in Toronto, automobile ownership is not a problem. Even so, private transportation was supplemented in 1967 by the GO Transit system, created and financed by the Government of Ontario to provide train and bus services from the 905 area to what is now the amalgamated City of Toronto (not to the rest of the GTA).

By the 1990s, transportation within the City of Toronto remained much the same as it was two decades earlier: a government monopoly serving a decreasing proportion of the rapidly-growing Toronto-based region. Motor vehicles, the main alternative to public transit, particularly for passenger transportation, faced increasing congestion and legislated restrictions on movement in downtown areas. The anti-car movement still opposes measures that would improve traffic flow, convinced that if they stick to their guns, big public transit will soon be coming back. There is no indication, however, that the TTC plans to expand its domain beyond the City limits.

Changes in 2000

Highways

Highway planning met the needs of the Toronto-based economy as envisaged in the Metro era, but population and industry in the GTA are increasing faster than highway capacity. According to the GTA, the region faces “a congested crossroads in imminent danger of gridlock . . . In recent years our transportation system has failed to keep pace with demand and today is woefully unprepared to meet our present or future needs.”¹⁸

The Ministry of Transportation continues to build and maintain highways, and remains “committed to maintaining and providing a provincial highway network where 90 per cent of the population live within 10 kilometres of a major provincial highway corridor.” But the expressway system

planned in the 1950s and 1960s has been largely completed.

The only recent change was in October 1997, when the Ontario Ministry of Transportation opened a privately operated east-west highway north of the City of Toronto, which was billed as “the world’s first fully automated toll superhighway.” The new highway is lightly travelled relative to the heavily congested existing highways, and does little to ease congestion *within* the highway belt. One explanation may be that the toll is set high enough to maximize toll revenues, but too high to divert much traffic from congested highways. In any case, once the eastern and western extensions of Highway 407 are completed, there is no provision for additional expressways in the region.

Public Transit

The GO Transit system was created in 1967 by the Government of Ontario to provide train and bus services from the rest of the GTA to what is now the amalgamated City of Toronto. Initially the Province funded it, but in August 1999, ownership, operation and funding of GO Transit became the responsibility of the six municipalities of GTSB. The statistics indicate that the primary focus of GO Transit continues to be servicing the City of Toronto, not the outer GTA, which is the destination of most passenger trips.¹⁹ GO Transit has a \$1.1 billion program that could satisfy a large proportion of the new demand by “additional interregional bus services in conjunction with busways or high occupancy vehicle (HOV) lanes to give buses a competitive advantage over the automobile.”

However, it is not clear where the funds would come from. GO services are no longer funded by the Province, but by the GTSB and its municipal governments, whose main source of revenue is the property tax. This tax is the most disliked of all taxes, and the resistance to increases large enough to finance GO’s investment proposals could be overwhelming. In other words, given that the forecasts are more or less correct, GO Transit’s planned expansion seems unlikely without additional funds from higher levels of government.

The Toronto Transit Commission

The TTC was established to provide public transit for what is now the City of Toronto. The Toronto-based economy has expanded far beyond the boundaries of the 1950s, but the TTC’s responsibilities terminate at the City’s boundaries. Within the City its financing has been reduced by the elimination of Provincial operating and capital subsidies, and the City of Toronto is continuing to reduce its operating subsidy.²⁰ The TTC management predicts fare increases or service cuts, but regardless of funding, the municipal share of passenger trips within the GTA is predicted to decline from 24 per cent in 1986, 18 per cent by 1996 to 15 per cent in 2021. According to Professor Soberman, municipal transit beyond city limits is “a lost cause.”²¹

Social Services

Ontario Municipalities faced major financial problems because of the actions taken by the current Provincial Government.²² In the election campaign of 1995, the Progressive Conservative Party promised to cut the Provincial income tax. It also promised to redistribute the responsibilities of the Provincial and Municipal Governments.²³ Downloading costs on the Municipalities was one way that the Provincial Government could meet its commitment to cut the income tax. However, downloading costs made it difficult for the municipalities to support their spending on social services and other programmes.

The Consequences of Downloading

The redistribution of responsibilities for social and other programmes between the Province and the Municipalities was discussed in our two earlier papers.²⁴ Under the reforms, the Province continued to set programme standards, but the municipalities became responsible for running the programmes, and for paying a larger share of the costs from the property tax and user fees.

Table 3
City of Toronto
Net Expenditures on Selected Social Services, 1997, 1998 and 1999
(millions of dollars)

Category	1997 Budget	1998 Budget	Approved 1999 Budget	1998 as % of 1997	1999 as % of 1998
Children's Services	41.3	32.5	41.5	79	128
Long-term Care and Homes for the Aged Shelters, Housing and Support	23.2	23.2	22.9	100	99
Library	14.2	273.4	271.5	1,925	99
Public Health	107.8	104.5	98.0	97	94
Other Social Services	47.1	83.5	53.6	177	64
	162.6	281.1	271.3	173	97
Total	396.2	798.2	758.8	201	95

Notes:

Net Expenditures are the amounts that are funded by the property tax. That is, they are net of all other sources of revenue.

The approved budget for 1999 is the budget approved by City Council for the fiscal year January 1 to December 31, 1999.

The amount actually spent in 1999 is not yet available.

Source:

City of Toronto, "1998 Operating Program, as recommended by the Budget Committee on April 20, 1998."
City of Toronto, "1999 Operating Budget as recommended by the Budget Committee, April 12, 1999."

The social service programmes involve a redistribution of income from taxpayers as a whole to low income households. In the Public Finance literature, local government is not viewed as the most effective level of government to operate such programmes because mobility would offset attempts to redistribute income.²⁵ Property taxpayers could avoid paying for the programmes by moving outside of the municipality's boundaries. The availability of social service programmes would also attract migrants to the municipality. The net effect would be to reduce tax revenue and increase the demand for social services. Therefore, income redistribution programmes are more effective at higher levels of government, such as the Provincial and Federal Governments, where mobility is less important. By shifting the responsibility and cost of social service programmes from the Provincial level to the municipal level, the operation of the programmes was made less effective.

A second, and related argument, involves the type of tax used to pay for income redistribution programmes. Before the reforms, social services were paid for by the Provincial Government, by intergovernmental transfers from the Provincial to the local governments, and by income raised by the local governments from the property tax and user fees. After the reforms, most of the revenue for the programmes came from the local property tax and from user fees.

The conventional view in Public Finance is that broadly based taxes are more effective ways of raising funds for redistribution programmes than the local property tax.²⁶ The problem could be remedied by allowing municipalities to tax incomes earned in the municipality. However, this would still lead to inequities in those municipalities that have a large concentration of low-income households and high social service costs. It could also lead to tax-rate competition among municipalities for taxpayers and economic activity.

A third problem is related to the generation of spillover effects. Toronto's rapid economic growth and generous social service programmes have attracted migrants from the rest of the GTA and from the rest of Canada. Canada's Immigration and Refugee programmes have also attracted immigrants from other countries to the City of Toronto and increased Toronto's social service costs since the immigrants and refugees are eligible for welfare payments and other social service. Therefore, the inflows from elsewhere have created negative spillovers for Toronto. This argument alone provides a strong justification for funding the programs from Provincial and Federal government funds.

Empirical evidence on this point is provided by a recent study prepared by the Canadian Council for Social Development.²⁷ Based on data from the 1996 Census and Statistics Canada's definition of low-income households, the study found that central cities are attractive locations for the urban poor.²⁸ About one-half of all the CMA's population lived in the central cities, but the central cities also had two-thirds of low-income households. In the Toronto CMA, 27.6% of all households living in the former Metro Toronto fell below the low income cutoff. Metro's rate was 10% higher than in Richmond Hill, the next highest municipality in the GTA. It was also 10% higher than Ontario, and 8%

higher than Canada as a whole.

The Toronto CMA had the largest number of low-income immigrants of any city in Canada. People born outside of Canada made up 47.7% of the Toronto CMA’s total population and 56.7% of these people lived below the low-income cutoff. This share was 11.3% higher than for people born in Canada who lived in the Toronto CMA.

Financial Consequences for the GTA

The Provincial Government began to download costs in January 1997, although the full impact was not felt until 1998.²⁹ The problems faced by the City of Toronto are illustrated in Table 3, which shows the City’s annual budgets for selected social services. Social service programmes make up a large share of the operating budget (53% in 1999), and they are also the ones most affected by downloading.

Table 4
 The Net Downloading of Costs by the Province of Ontario
 on the New City of Toronto, 1998 to 1999
 (millions of dollars)

Category	1997 Metro Budget	1998 Revised City Budget	1999 Estimated at Year End
Operating Costs	50	693.3	601.4
Less Education		-573.2	-573.2
Net Operating Costs	0	120.1	28.2
Capital Costs (TTC Subsidy Loss)		180.1	180.0
Operating Cost Effects of TTC Capital Subsidy Loss	0	15.8	46.3
Total	50	316.0	254.5

Source: The 1997 data are from the Municipality of Metropolitan Toronto “1997 Operating Plan & Budget,” Toronto, February 26, 1997.

The data in the other columns are from the City of Toronto, “Provincial Downloading-Local Services Realignment,” A Report Prepared for the Policy and Finance Committee by the Chief Financial Officer and Treasurer, December 1, 1999.

Column 1 shows the net expenditures on social services for Metropolitan Toronto and its 6 lower-tier Municipalities. Columns 2 and 3 show 1998 actual and 1999 recommended net expenditures for the amalgamated City of Toronto. The impact of downloading is shown in the next two columns. Column 4 shows that the new City experienced large cost increases compared with the 1997 budget in Shelters, Housing and Support, Public Health, and Other Social Services. Overall, the 1998 net cost for all Social Services was twice the amount for 1997.

From January 1997 to March 2000, nineteen changes were made to the Provincial Downloading Programme. Some of these changes increased costs while others, especially after 1998, reduced them as the Province made adjustments in response to municipal complaints. In 1998, the Province introduced the pooling of social welfare and social housing expenditures among all of the GTA municipalities. The Local Service Realignment (LSR) Programme assigned 51.57% of GTA's social welfare and social housing costs to the City of Toronto.³⁰ This was an attempt to internalize the negative externalities for the City by pooling costs with the rest of the GTA.

Column 5 shows how the City began to adjust to the new financial environment. The data show only one cost increase, for Children's Services. Decreases are shown for all the other categories. In Public Health, most of the reduction came about from a change in Provincial Government policy that increased their contributions to the programmed.³¹ The reduction in social welfare spending came about from the falling unemployment rate as the Canadian economy moved back to full employment, and from cost cutting and increased user fees.³² Cost cutting and increased user fees place an increased burden on the City's poor.

Table 4 shows the net downloading cost for 1997 to 1999. The net cost consists of the increased operating cost from downloading less the amounts that the Board of Education received when the Province assumed responsibility for education. Since the City previously financed education from the property tax, the Provincial Government education grants, also obtained from the property tax, are viewed as a reduction of the burden on City taxpayers. The net data again show a continuous reduction in net operating costs for the reasons discussed earlier.

The remaining costs in the table show the loss of the capital grants for public transit. Included here is the loss of the capital cost subsidy of \$180 million per year. Also included is the City's decision to fund part of these costs from its operating costs budget and to borrow the rest. The overall impact of the City is a decline from \$343.6 million in 1997 to 245.5 million in 1999.

The Implications of Downloading for the Future

One major problem facing the City is the increasing burden from the loss of the capital cost subsidy for public transportation. The City has also been postponing capital expenditures to keep the property tax from rising.³³ Since these expenditures will have to be made eventually, the burden on City taxpayers will go up.

Social service costs have also fallen because of the falling unemployment rate. If a downturn occurs, these costs will rise and increase the burden on the new City.

The new City has attempted to cut costs by reducing duplication that existed in the former 6 lower-tier governments. However, the scope for cost reduction is not large, since 73% of the new City's operating budget consists of programmes preciously amalgamated under Metro. Cost savings of \$120.7 million in operating costs have been achieved by 1999, mostly from staff reductions.³⁴

The increased wage and salary costs negotiated by the City's workers will offset a large share of the cost cutting measures. The recent union contracts for the City's outside and inside workers are a good illustration of the point. One of the main issues in the negotiations was the harmonization of wage rates for workers in the previous Metro government and its 6 lower-tier municipalities. Prior to amalgamation, each municipality negotiated its own union contract. But the wage rates for equivalent jobs differed among the municipalities. In the amalgamated City, workers now receive different wage rates for doing the same jobs based on the earlier contracts. The key demand, for wage harmonization, was not settled in the negotiations and the issue has been sent to arbitration.³⁵

The reduction of the differentials is inevitable even if the union's demands are not met at this stage of arbitration. The increased costs can be offset to some extent by a continued reduction of employment, a reduction of services, and through the privatization of services. Despite these measures, equalization will place an increasing strain on the new City's operating budget in the future.³⁶

Concluding Summary

In the 1950s, while the population of the City of Toronto's population was static, the suburban population was growing rapidly. Services such as roads, water and sewerage, education and public transportation had to be provided to the rapidly expanding population. The City's solution was to incorporate some of the suburbs into a larger City of Toronto. The suburbs also wanted "to preserve local interest and citizen participation in the affairs of our municipalities, [which would] be less likely if a huge city [were] created."³⁷

The Province's solution was a two-tier system of local government, which more-or-less satisfied both objectives. The Metro government would provide services for the whole community where spillover effects and economies of scale were important, while the individual communities retained their autonomy over local services. Some constraints were imposed on the community, such as merging school boards and police, and maintaining a Metro monopoly of public transportation, with restrictions on motor vehicles

The Metro solution worked well for four decades, but suffered increasing strain as metropolitan growth continued. Population pressure increased, land became more scarce and land prices rose, leading to restrictions on land use, such as rent control and tighter zoning restrictions. Prices of

residential housing and commercial buildings rose. By the 1980s, controls over motor vehicle use became less and less effective, particularly for trucks and commercial vehicles, and congestion increased. Provincial highway construction outside Metro provided a safety valve by opening up low-density and low-priced land for the expanding Toronto-based region that was accessible both to the City and the expanding Toronto-based region (GTA).

The third stage was characterized by the amalgamation of the City of Toronto and continued growth of the GTA. The virtual cessation of Provincial highway building outside Metro led to increased congestion in those areas. The limited assistance provided by GO transit was cut back when the Province cancelled its subsidy. The problems that Metro previously faced as it expanded were now emerging in the rest of the GTA. At the same, the Province was shedding its responsibilities by downloading costs to the municipalities, which lacked the legal and financial resources to cope with cost increases. The Province also hoped that public services would be taken over by the private sector (Government liquor stores and TV Ontario were frequently mentioned in this connection). One private toll road, Highway 407, was established, but its failure to ease congestion significantly suggests that the goal is profit maximization rather than reduction of congestion.

One argument used to support amalgamation was to save costs.³⁸ But there is no evidence to suggest that overall costs would be reduced by simply transferring them from the Province to the municipalities and the private sector. Indeed, the cost of public services in the provincial economy may actually have been increased, particularly if the decline in the quality of many public services is taken into account. However, the transfer of costs from the Province to the municipalities has enabled the Provincial Government to carry out its promise to reduce the provincial income tax.

Provincial downloading policies and Federal Government Immigration and Refugee policies have also created serious additional costs for the City of Toronto and the GTA. While the benefits of these policies flow to the Province and Canada as a whole, the costs fall disproportionately on a small subset of the nation, the taxpayers of the City of Toronto and of the rest of the GTA.

Another type of welfare cost of amalgamation is not easily measured in dollar terms. However, it is very real to the many Toronto citizens, who demonstrated and otherwise opposed the change. This is the uncompensated loss of residential choice that Toronto residents enjoyed under the Metro system.³⁹

For business, the loss of time and accessibility in the City resulting from the deterioration of transportation, and the imminent losses in the rest of the GTA represent downloading of Provincial costs to the private sector. Most modern governments provide social capital because it complements private capital and increases its productivity. The traditional role of Canadian governments has been to provide transport infrastructure and support operating costs, which in Ontario's case has been highways, GO Transit and subsidies to the TTC.⁴⁰ An efficient public transportation network was instrumental in creating Toronto's status as "a global city-region,"⁴¹ but that status will be unsustainable if the Province allows that network to deteriorate.

The current financial position of the City of Toronto, the GTA and the other municipalities in Ontario is not viable in the long run. What are required are additional financial resources either in the form of increased Provincial grants or a tax sharing agreement between the Province and the municipalities.

Our original objective was to evaluate two alternative strategies for dealing with the economic and social problems that arose in the Toronto region in the 1990s:

- (a) the compression of the federated municipality of Toronto and suburbs into a single municipality of Toronto with one central administration;
- (b) the extension of the federal concept from Metro Toronto to the Toronto-based region (GTA).

A conclusion based on a short-term projection of existing trends is that amalgamation of Metro and the accompanying changes will do little to ameliorate the economic and social problems which became manifest in the early 1990s. Congestion in transportation, the welfare financing quandary remain, the costs of financing City services have not been reduced, and tax increases are inevitable. Over a longer period, changes by the Province in the funding of municipal programs, and in removing obstacles to municipal independence, plus institutional changes brought about by a dynamic non-governmental sector, may result in a viable City that provides the high standard of community living that existed previously.

There is no evidence that the alternative solution, extension of the Metro concept of governance to the GTA area, if accompanied by Provincial policies like those of the 1950s and 1960s, would have produced results inferior to those of amalgamation. At the same time, it would have preserved the local decision-making for local problems that operated successfully in earlier periods of Toronto's history.

ENDNOTES

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 3. Harold Kaplan, *Urban Political Systems* (New York: Columbia University Press, 1967), 46-52.
 4. Province of Ontario, Bill 103, "An Act to replace the seven existing municipal governments of Metropolitan Toronto by incorporating a new municipality to be known as the City of Toronto," Chapter 2, Statutes of Ontario, 1997.
 5. Crombie, D., *Letter to the Honourable Al Leach, Minister of Municipal Affairs and Housing Re: Who Does What Panel's Recommendations on Local Governance*, Toronto, December 6, 1996, and Crombie, D., *Letter to the Honourable Al Leach, Minister of Municipal Affairs and Housing Re: Who Does What Panel's Recommendations on Taxation and Assessment, Disentangling Provincial-Municipal Responsibilities and Governance*, Toronto, December 23, 1996.

See also Ontario Ministry of Municipal Affairs and Housing, *Backgrounder Who Does What? Where Will the Changes Be?* Toronto, December 16, 1996, and Ontario Ministry of Municipal Affairs and Housing, *Who Does What Reforms, Announcement Package for the Week of January 13, 1997*, Toronto, January 13, 1997.
 6. The Go Transit function of the GTSB involves the 5 Regional Municipalities of the GTA along with the Regional Municipality of Hamilton-Wentworth. Its other functions involve only the 5 GTA Regional Municipalities.
 7. Although there is no statistical index of wages in various Canadian cities, statistics of average wage and salary rates for 40 selected occupations in Canadian cities show that during the 1960s, wage and salary rates in the Toronto region were significantly higher than other Canadian cities in virtually all categories. *Canadian Year Book 1963-64*, 725-272, and *Canadian Year Book 1969*, 782-784.
 8. The decision was a political decision by the Provincial Cabinet, which went counter to the technical recommendations. *Transportation Organization in Metropolitan Toronto*, The Royal Commission on Metropolitan Toronto, April 1975, 67.
 9. Conflict between the forces behind public transit and those favouring expressways has been described as one of the central difficulties in the development of Metro. Albert Rose, *Governing*

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- Metro Toronto* (Berkeley: University of California Press, 1972), 59; Harold Kaplan, *Urban Political Systems* (New York: Columbia University Press, 1967), 70, 11 and others.
10. *Ibid*, 69.
 11. Pietro S. Nivola, *Laws of the Landscape* (Washington: Brookings Institution Press, 1999), 62.
 12. Arthur O'Sullivan, *Urban Economics*, (New York: Irwin-McGraw-Hill, 2000), 144.
 13. Robinson and Schwartz, *Economic and Social Problems of Rapid Urban Growth* (1999), *op. cit.*, 4.
 14. David B. Perry, *Financing the Canadian Federation, 1867 to 1995* (Toronto: Canadian Tax Foundation, 1997), 203.
 15. There are various classifications of highways, such as freeways, arterial roads collectors and locals. The main freeways are the Queen Elizabeth Way, Highways 400, 401 (Trans-Canada), 427, Don Valley, Gardiner and the Allen (the partially completed Spadina). *Transportation Organization in Metro Toronto, op cit.*, 48-49.
 16. *Transportation Organization in Metro Toronto, op. cit.*, 53-54.
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 18. *GTA Strategic Transportation Plan*, Greater Toronto Services Board, January 2000, 1.
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 20. *The Globe and Mail*, April 18, 2000, A19.
 21. Richard Soberman, Professor of Engineering, University of Toronto. Cited in J. Barber and J. Rusk, "Toronto Reconsidered: Planning for the Next Century," *Globe and Mail*, March 6, 2000.
 22. The Government was first elected in 1995 and reelected in 1999.
 23. The "Who does What? Reforms," Province of Ontario, 1997. Robinson and Schwartz, *op. cit.*, Appendix 1.
 24. See J. Robinson and H. Schwartz, "The Economics of Unsystematic Planning in a Rapidly

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- Growing Urban Region: The Case of Toronto,” ACSANZ 1998 Conference, Sydney, Australia, July 1998, also available as working paper 98-06, Department of Economics, Faculty of Arts, York University, Appendix A and John Robinson and Harvey Schwartz, “Economic and Social Problems of Rapid Urban Growth: The Case of Toronto.” A paper given to Association of the Nordic Canadian Studies, *Rediscovering Canada*, 6th International Canadian Studies Conference, University of Iceland, Reykavik, Iceland, August 5-8, 1999. Also available as working paper 99-08, Department of Economics, Faculty of Arts, York University, 10-13.
25. See Richard M. Bird and N. Enid Slack, *Urban Public Finance in Canada*, John Wiley & Sons, Second Edition, Toronto, 1993, Chapter 3 and Arthur O’Sullivan, *Urban Economic*, 3 Edition, Irwin McGraw-Hill, 1996, Chapter 16.
 26. For example see, Richard A. Musgrave and Peggy B. Musgrave, “Tax Equity and Multiple Jurisdictions,” in Allan M. Maslove, *Taxation in a Sub-National Jurisdiction*, The Fair Tax Commission of Ontario, University of Toronto Press and the Queen’s Printer, Toronto, 1993, Chapter 1.
 27. See Kevin K. Lee, *Urban Poverty in Canada, A Statistical Profile*, Canadian Council of on Social Development, Ottawa, 2000. Statistics Canada’s definition of poverty includes households that spend 20% or more of its income on food, clothing and shelter. The statistical information is drawn from various parts of the study. See also, Anne Golden, *Taking Responsibility for Homelessness: an Action Plan for Toronto, Report of the Mayor’s Homelessness Action Task Force*, City of Toronto, Toronto, 1999.
 28. The income data in the Census are for 1995. Statistics Canada defines Low Income Cut-off (LICO) households as one that spend 20 percent or more of their before-tax income on food, clothing and shelter. The LICO is adjusted for household size and for the area where the household lives. For example, a one-person household in a rural area has a LICO of \$11,661. The same household living in an urban area of 500,000 or more has a LICO of \$16,874. Statistics Canada does not define these households as living in poverty. Rather they are referred to as living in “straitened circumstances”. For a more complete discussion of the data in the study, see Kevin K. Lee, *op. cit.*, Appendix A.
 29. City of Toronto, “Report by the Chief Financial Officer and Treasurer to The Policy and Finance
 30. *Ibid*, Table 2.
 31. *Ibid*, 1.
 32. *Ibid*, 2.
 33. City of Toronto, *1999 Capital/Operating Plan and Budget*, Toronto, 1999, 20.

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34. For a discussion of cost cutting since Amalgamation see City of Toronto, *Building the New City of Toronto, Status Report on Amalgamation, January 1998-June 1999*, Toronto.
 35. Gay Abbate, "20,000 city workers walk out," *The Globe and Mail*, Toronto, March 31, 2000.
 36. James Rusk, "Deal with workers won't force up taxes: Lastman," *The Globe and Mail*, Toronto, April 11, 2000 and Karen Palmer, "City Strike fails to settle crucial issue." *The Toronto Star*, Toronto, April 11, 2000.
 37. Rose, *Governing Metropolitan Toronto, op. cit.*, 20-21.
 38. Robinson and Schwartz 1998, 3, 6-7, 10-11; Robinson and Schwartz, 1999, 10-16.
 39. Robinson and Schwartz 1998, 3.
 40. Robinson and Schwartz 1999, 5.
 41. The term is Thomas Courchene's. Courchene, *op. cit.*