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Financing the Golden Age: Municipal Finance in Toronto, 1950 to 1975

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About IMFG

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IMFG focuses on the fiscal health and governance challenges facing large cities and city-regions. Its objective is to spark and inform public debate and to engage the academic and policy communities around important issues of municipal finance and governance. The Institute conducts original research on issues facing cities in Canada and around the world; promotes high-level discussion among Canada's government, academic, corporate, and community leaders through conferences and roundtables; and supports graduate and post-graduate students to build Canada's cadre of municipal finance and governance experts. It is the only institute in Canada that focuses solely on municipal finance issues in large cities and city-regions.

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Financing the Golden Age: Municipal Finance in Toronto, 1950 to 1975

Richard White

Abstract

Toronto is known for having been a prosperous and successful city in the decades after the Second World War, and the postwar period has come to be seen as something of a Golden Age for the city. While acknowledging the problems inherent in this sort of characterization, this study seeks to uncover what role Toronto's postwar municipal finances played in making the city the success that it was. It presents the historical context, briefly explaining the formation of Metropolitan Toronto and the emergence of Ontario's welfare state. The main body of the study analyses the annual reports of both Toronto's and Metropolitan Toronto's Commissioners of Finance, and highlights trends and features: the shift from hard to soft services, the impact of the welfare state, increases in provincial funding, and the importance of debt financing. The author shows that although Toronto, as an overall urban system, was fiscally healthy in this Golden Age, several of the circumstances that made it so were beginning to unravel by the mid-1970s. The study concludes by suggesting what this history might teach us about Toronto's municipal finances today.

Keywords: Toronto, Metropolitan Toronto, property tax, welfare state, public debt

JEL Codes: H71, H72, H74

Financing the Golden Age: Municipal Finance in Toronto, 1950 to 1975

The City of Toronto is grappling with financial problems. That is not to say it is in financial crisis. The city is prosperous, its public facilities are heavily used and well maintained, and its annual budgets are generally balanced. Yet beneath this apparent stability lie some serious fiscal challenges.

Toronto maintains a balanced budget because it is legally required to do so. Provincial law prohibits all Ontario municipalities from running operating deficits. And to achieve this balance the City undertakes, every year, a series of negotiations that conclude with the paring down or delaying of certain important expenditures. So it balances its budget, but it does so by under-spending in what many consider critical areas. At the same time, the city needs to renew much of its postwar infrastructure and, with its population now increasing, to expand or build new public facilities, so its financial obligations are increasing. Yet City Council resists raising taxes. Some councillors may want to, but apparently more do not, believing that many voters oppose such a move. Indeed, this attitude contributed to the election of Rob Ford as mayor in 2010 on a platform of limiting expenditures and lowering taxes. So although Toronto, all told, is not in crisis, it is in a difficult financial position that, unresolved, could become one.

Informing much of the discussion about Toronto's current problems – in all areas, not just finance – is the idea that the city used to do better. Toronto was once a world-beater, described as "New York run by the Swiss" or "the city that works." The city cannot return to that "Golden Age," but can it learn something from that time? It is with such thoughts in mind that this study was conceived.

The first question that comes to mind is whether such an age ever existed. But the question just raises further questions. For which faction of society, which sector of the economy, which geographical place might an age have been "golden"? Most fundamental of all – when might this age have occurred? Toronto has been a successful city for most of its more than 200 years and within that time perhaps a half-dozen periods could be considered especially prosperous or conducive to individual success.

Toronto's Golden Age, in current discourse at least, is usually considered to be a post-1945 phenomenon, arbitrary and imprecise though this characterization may be. The two most frequently cited bases for the claim are both noted above: British writer Peter Ustinov's quip that Toronto was "New York run by the Swiss" (Mays 1987) and American journalist Anthony Astrachan's characterization of it as "a city that works" (Astrachan 1974).[1] Neither, however, is much help in defining the chronology. Nobody knows when Ustinov made his comment, or to what years he was referring, though one suspects the late 1960s on both counts. Astrachan's article appeared in 1974, describing the present; he does not say precisely when

1. White 2016, 4 explores these characterizations.

this "working" began, though his focus is clearly on the post-1972 reform regime. Local politician Alan Redway recently defined Toronto's Golden Age as the entire 44 years of *Metropolitan* Toronto's existence, 1954 to 1998 (Redway 2014). Betsy Donald, in her theoretically informed analysis of the Golden Age, opts not to set any dates, though clearly she is describing a postwar phenomenon (Donald 2002).

The truth is that Golden Ages are imaginary things, and as such often say more about who or what is doing the imagining than about the age itself. But as intriguing as this line of inquiry may be, it will not be pursued here. This study accepts that Toronto did indeed experience something of a Golden Age after the Second World War. There is certainly ample evidence that it did: the city prospered, grew in size and international stature, and became increasingly cosmopolitan; yet in contrast to many older American cities, it remained safe and liveable, even in its inner city. With this as its premise, the present study explores Toronto's municipal finances from the 1950s through to the 1970s in hopes of finding what role finances played in making the city what it was. How "healthy" – to use a present-day concept – were its finances at that time? And what might we in the present learn from this historical investigation?

1. The Historical Context

Three aspects of Toronto's postwar history had a direct bearing on its municipal finances: the creation of Metropolitan Toronto, the growth of the welfare state, and economic expansion.

1.1 The Creation and Evolution of Metropolitan Toronto

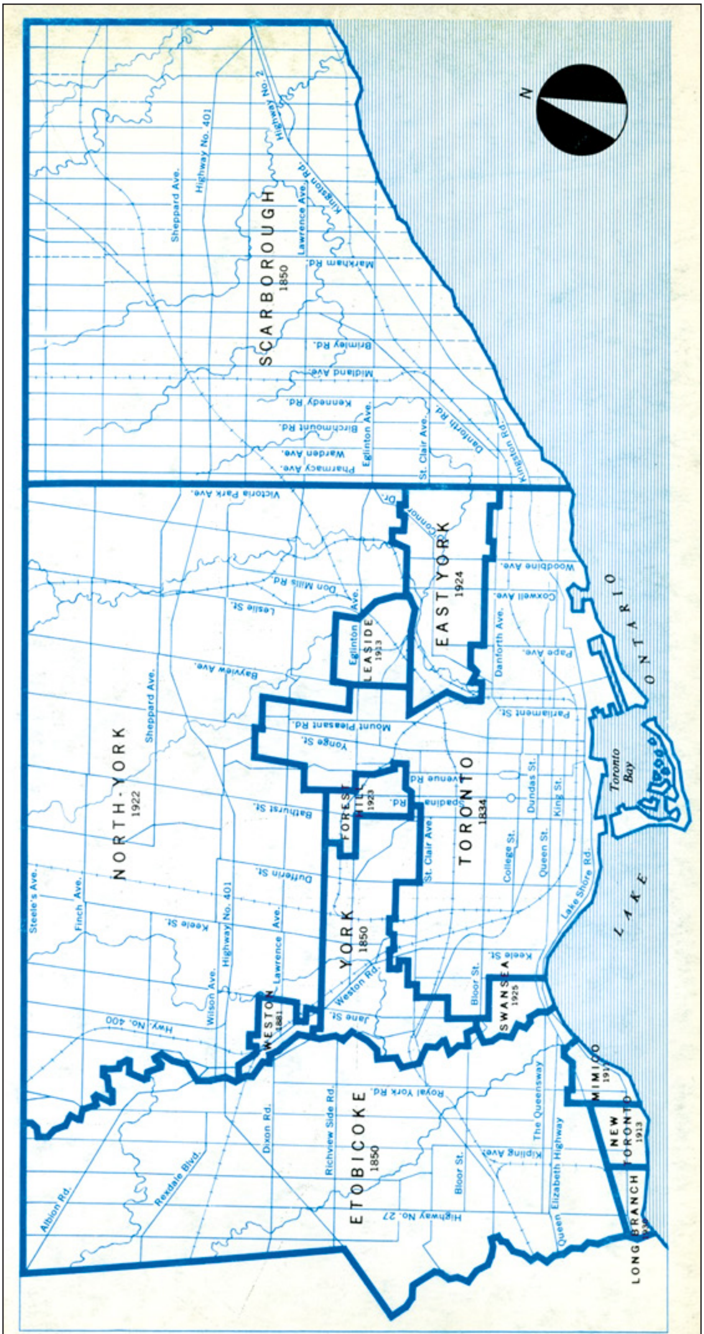
The 25 years of this study coincide with the creation, and ensuing evolution, of Metropolitan Toronto – a well-known subject, at least in its basics, though its impact on municipal finances is not always fully reported (Frisken 2007; Rose 1972; Toronto 1953, 18–19).

Metropolitan Toronto was created by the Province of Ontario effective 1 January 1954. It was a federation of 13 municipalities – the City of Toronto and the 12 municipalities immediately surrounding it. Some of the latter, such as Weston and Leaside, were established towns; others, such as Scarborough or North York Townships, were largely rural areas in which urban development, already under way in places, was expected on a massive scale in the years ahead (see Figure 1). The Province and the affected municipalities knew the entire region was on the verge of rapid urbanization and that some sort of collective action was needed, but exactly what kind of action was a matter of debate. Full amalgamation was considered but rejected, mostly because of opposition from the smaller municipalities. Metropolitan federation was chosen as the best compromise: the new municipality of Metropolitan Toronto – called "Metro" right from the start – would have responsibility for most area-wide functions and services, but the municipalities incorporated into it would all continue to exist and to retain responsibility for certain local matters. This half-measure endured with some modifications – seven of the smaller municipalities were dissolved in 1967 – for more than 40 years. Full amalgamation was completed in 1998 (see Figure 2).

Figure 1: Municipalities and Population Density of Toronto Metropolitan Area, 1948

Source: Toronto and York Planning Board Report, 1949 (University of Toronto Library)

Figure 2: Metropolitan Toronto as Created, 1 January 1954



Source: Metropolitan Toronto, Annual Report (University of Toronto Library)

The City of Toronto was the heart of the new metropolitan municipality. It was a large, prosperous, industrial, and commercial city, fully developed out to its boundaries, with a population of nearly 700,000 at the time of Metro's creation, and represented much more than just one of the federation's 13 parts. It provided half of the 24 members of the new Metro council, all of whom were sitting city councillors. The other 12 municipalities each provided just one member – its sitting mayor or reeve – to Metro Council (Rose 1972, 21–22). Toronto's strong representation on Metro Council was in accord with its proportion of both metropolitan population (52 percent) and total metropolitan property assessment (55 percent) (Toronto 1955, 32).

The responsibility with the greatest financial implication for the new municipality was the obligation to plan, build, and maintain all metropolitan infrastructure – primarily roads and piped services (see Table 1). Local municipalities retained some responsibilities in this realm, but regional-scale, capital-intensive physical systems were Metro's. The City of Toronto had been struggling to build an expensive new sewage treatment plant for years, but the job of completing it, along with extending the entire sewer system out into the metropolitan area, now fell to Metro.

Water was less of a financial burden than sewage because, in keeping with Toronto tradition, the waterworks charged customers for its product, while the sewage system did not.[2] Public transit continued to be run by an independent commission responsible for its own financial affairs, but it expanded its system to a metropolitan scope and the new Metro government borrowed the capital to do this, so Metro had a role in public transit, even though the transit commission was independent.

Metro also had to cover the cost of administering justice (building and maintaining courts and jails) and of providing most municipal welfare services. The latter was a substantial responsibility that included paying the hospital fees of welfare recipients (then known as "indigents"), building and operating old age homes for those in need of support, and providing grants to the Children's Aid Society. Only the provision of direct "relief" remained in local hands.

The cost of what was termed "Protection," primarily the fire and police services, was at first left with local municipalities; but two years later policing (although not firefighting) was shifted to Metro, inaugurating the curious arrangement, which lasted until 1998, of emergency calls being serviced by police cars from the metropolitan police force and fire trucks from the fire department of the individual municipalities.

2. Metro did introduce a sewage "impost" on new developments in 1958 to contribute to the capital cost of new sewage services, the genesis of what are now well-established "development charges" (Metropolitan Toronto 1959, 20).

Table 1: Initial Division of Responsibilities in the Metropolitan Toronto Act (1953)

Function	Metropolitan Responsibility	Municipal Responsibility
Water Supply	Treatment plants Pumping stations Trunk mains and reservoirs	Local distribution and sale
Sewage and Refuse	Treatment plants Trunk sewers	Local sewage collection All refuse collection
Roads	Metropolitan highways Arterial roads	Local streets and highways
Transportation	Toronto Transit Commission*	None
Education	Metropolitan School Board (which provides funds to local boards)	Local school boards operate all schools Local boards responsible for costs beyond those provided by Metropolitan board
Health and Welfare	Homes for the Aged Hospitalization Children's Aid Societies Others	Public Health Unemployment relief Social work services Others
Justice	Provide and maintain a courthouse and jail	None
Housing**	Power of a municipality in housing and redevelopment	Existing local powers
Planning**	Planning authority throughout and beyond Metropolitan Toronto	Local planning authority (local plans were expected to conform to metropolitan plan)
Parks (and Recreation)	Create and maintain metropolitan parks	Create and maintain local parks Recreation programs
Finance and Taxation	Establish uniform assessment across Metropolitan Toronto Impose levy on all local municipalities All debenture financing	Collect property taxes
Police	None	Full responsibility
Fire	None	Full responsibility

Sources: Frisken (2007, 70–75); Metropolitan Toronto (1953, 18–20); Rose (1972, 25–27)
* The existing Toronto Transportation Commission was reconstituted into a new, still independent, metropolitan body.
** Division of responsibility not yet precisely determined.

The new metropolitan municipality clearly was meant to be important. Its annual operating expenditures were, at first, less than half those of the City of Toronto, but they grew much faster than those of the City, and soon surpassed them. Metro's revenues were correspondingly substantial. It did not collect property tax – the 13 local municipalities continued to do that – but it was in charge of property assessments and, even more critical, it was empowered to impose a levy on the tax revenue collected by the municipalities to obtain from them the funds it needed. Local municipalities had no discretion in this; Metro's authority was formally mandated by the *Metropolitan Toronto Act*.[3]

Metro was also the principal recipient of provincial subsidies. This is a complex matter that will be explored in more detail in section 3, but the Province, right from the start, gave its entire annual per-capita grant, which it had been providing to all Ontario municipalities since it abolished municipal income tax in the 1930s, to the metropolitan government, on the understanding that it would be dispersed among the local municipalities (Rose 1972, 101).

Metropolitan Toronto also had sole authority to issue debentures, both for its own capital needs and for those of the local municipalities. The latter had been able to issue their own debentures prior to Metro's creation, but since Metro, with the substantial tax base of the City of Toronto and the bankable projected growth of the suburban areas, could borrow at fairly low interest rates, the local municipalities seem not to have objected to this arrangement (Goldenberg 1965, 108–10; Metropolitan Toronto 1953, 18–20).

1.2 The Welfare State

A second critical matter of context for Toronto's municipal finances in the postwar years is the growing welfare state. It too is a well-known phenomenon, in public policy history at least, but its intersection with postwar municipal affairs is not as well considered as it might be (Dupré 1968, 16–27).

The Canadian welfare state began to emerge during the Second World War with the introduction of Unemployment Insurance in 1940 and Family Allowances in 1944, the latter being the country's first truly universal social program. Mackenzie King's Liberal government proposed a substantial expansion of federal social services at the end of the war as part of its grand program of postwar reconstruction, but several provinces refused Ottawa's terms, so these "Green Book" proposals, as they are known, met an early death, and the government made few advances in social welfare during the immediate postwar years, for various reasons (Finkel 2006, 135–38). One exception was the conversion of means-tested Old Age Pensions for the very poor, a federal benefit introduced in the 1920s, into universal Old Age Security in 1951.

The City of Toronto, like other cities in the country, still carried a substantial welfare burden in the early 1950s. Of course the new federal programs – Family

3. Section 190, *Municipality of Metropolitan Toronto Act*, Statutes of Ontario, 1953, Chapter 73.

Allowances, Old Age Security, and Unemployment Insurance – were all available to city residents who qualified for them, although the latter's benefits were modest, available only to some, and lasted for only a limited time. But the city still ran its own social assistance programs, most of which had been in place for decades: it supported public hospitals, built and maintained old-age homes for the poor[4] (Rudy 1987, 125–26), provided grants to the local Children's Aid Society, and gave small cash payments (known as "relief" or "welfare") to the truly destitute for food and shelter.

All these programs were cost-shared with the Province to some extent, but the City still bore much of the burden. Toronto paid out $3.37 million for social welfare in 1950, 12.3 percent of that year's budget. It was a change from the Depression years, when the City was spending 16 percent of its budget on relief and, with property taxes in arrears, had resorted to issuing short-term debentures to cover its relief costs – something it never did again. Nonetheless, the City in 1950 had a major welfare responsibility (Toronto 1938, 1950).

The governments of Canada and Ontario transformed this arrangement through the 1950s and 1960s by introducing several new programs and broadening those that already existed, and in doing so essentially created the modern welfare state. Mothers' Allowances, which were available only to widowed single mothers at the program's inception in the 1920s, were extended by the Province to divorced mothers in 1951, then to unwed mothers in 1956, substantially increasing caseloads and making "single mothers," as they are often labelled today, into major recipients of social assistance (Struthers 1994, 159–65).

The federal government, through the *Unemployment Assistance Act* of 1956, expanded benefits to workers whose unemployment insurance had run out but who were deemed physically able and "employable" and thus ineligible for relief. This new Unemployment Assistance program was a major innovation, being essentially, in the words of social welfare historian James Struthers, "a federal general welfare assistance scheme" (Struthers 1994, 189–90). At first Ontario refused to participate, objecting to the Act's cost-sharing arrangements, but it signed on effective 1 January 1958, and to channel the federal money to municipalities it enacted a new *General Welfare Assistance Act* that increased the provincial contribution to welfare to 80 percent.

But so sharply, and so unexpectedly, did federal expenditures increase under the *Unemployment Assistance Act* that in a few years Ottawa embarked on discussions about revising it; this effort eventually yielded the landmark Canada Assistance Plan of 1966, which, while imposing more federal control, expanded federal funding for social assistance even further to include, among other things,

4. This new responsibility was imposed on municipalities in 1949 by the provincial *Homes for the Aged Act*, a major step by the Province into a service that for years had been provided, if at all, by private charities. The Act introduced the new, less demeaning name for what had previously been known as Houses of Refuge (Rudy 1987, 101).

support for Children's Aid Societies (Struthers 1994, 182–91, 202–10). Ontario amended its own legislation to put it in line with the federal arrangements, and in doing so expanded and consolidated several provincial programs.[5]

In addition to all this expansion of its support for welfare, Ottawa introduced, and in 1958 Ontario went along with, government-run hospital insurance, unburdening the province's municipalities of much of their responsibility for hospitalization (Taylor 1987). Through a 1964 amendment to the *National Housing Act*, Ottawa also began offering funds for public housing and urban renewal, relieving municipalities – at least so it seemed – of financial responsibilities in these two emerging programs. Ontario also passed a new *Day Nurseries Act* in 1966, increasing the provincial contribution to licensed municipal day nurseries that served low-income families from 50 percent to 80 percent of their costs.[6]

It is not easy to say how all this affected Toronto's fiscal affairs. Certainly more Toronto residents were receiving social assistance and more money was being paid out. Welfare caseloads in Ontario more than doubled from 1961 to 1971 (Struthers 1994, 258). But this increase was not the result of greater demand for relief as had been the case in the Depression – the 1960s were a decade of unprecedented prosperity – but of greater supply of public assistance. Moreover there was, again in contrast to the Depression, ample revenue from a well-endowed, fully committed provincial government to pay for it; the substantial increases in Mothers' Allowance and Unemployment Assistance, for example, were covered entirely by provincial funds (Dupré 1968, 16). So the growth of the welfare state did not put Toronto's, or any city's, finances under stress. Yet it did complicate its responsibilities and add to its administrative tasks. This effect will be explored in more detail in section 3.

1.3 Economic Expansion

This leads to the third important point of context – the unprecedented economic expansion of the period from the 1950s to the 1970s (Rea 1985). Metropolitan Toronto might have been the most prosperous region of the country in these extraordinarily prosperous years. Within a single generation, a lightly populated, semi-rural area transformed into fully developed residential and industrial suburbs. Meanwhile the City of Toronto, although it did not increase in size or population, certainly prospered; land nearly everywhere was in demand, and its property assessments rose every year throughout the period of this study (White 2016, 147–50).

It seems nearly everything in Metropolitan Toronto grew or increased in the postwar years. Graphs and charts, whether depicting population, industrial output, retail sales, or the number of schools, automobiles, or telephones, show a steep climb up and to the right. Not every *individual* prospered, a point repeatedly

5. *An Act to Provide Benefits to Persons and Families in Need*, Statutes of Ontario, 1966, Chapter 54.

6. Section 3, *Day Nurseries Act*, Statutes of Ontario, 1966, Chapter 37.

raised by social historians of the period (Finkel 2012, 89–93).[7] Poverty persisted in Toronto, as well as in surrounding villages and rural areas. Public housing, whenever and wherever it was built, never lacked tenants. But prosperity, in the aggregate, was undoubtedly the dominant feature of the period.

Prosperity affected municipal finances in two ways. First, it provided a secure source of revenue. Unlike the City of the generation prior to the war, the postwar City could rely on its property tax, both residential and commercial, to provide the revenue it needed. But second, and just as important, prosperity coupled with the era's apparently unending growth meant that the City could count on *more* revenue in the future and could thus, without fear, run up a debt to build the city of tomorrow. Borrowing for major capital expenditures is much easier in a growing economy than in a static one.

2. City of Toronto Finances

2.1 Before the Creation of Metro

The City of Toronto stood in a fairly healthy financial position in the early 1950s. The crisis of the Depression, with its high relief costs, rising property-tax mill rates (to cover relief costs), and low tax compliance rates (partly from the high mill rates) were just a memory, albeit a potent one.[8]

The City did face some uncertainty about the capital costs of developing the surrounding suburban areas, which everyone knew was imminent. Toronto City Council clearly had no intention of fronting these costs. In 1944 an independent planning board had presented a plan to Council that included infrastructure to support the expected growth, but the Board of Control had killed that plan before city residents even fully grasped it. A few years later the City's own staff had put forward a new, less visionary plan in which road and service improvements stopped abruptly at the city border, and Council found this more to its liking (White 2016, 35–42, 48–50). If the city was not going to grow, the thinking went, why should its roads and capital expenditures? As it turned out, Council's parsimonious stand may have been for the best, since it showed the Province and those outside the city that a new municipal body would be needed to finance development of the metropolitan area; in 1954 Metropolitan Toronto was created to do just that.

City authorities also had concerns about the growing welfare state, which they saw emerging all around them. The perspicacious Commissioner of Finance, George Lascelles, noted in 1950 that the amount of city property tax going to education had increased 116 percent since the war, and to social services 57 percent, while all other expenditures had risen just 46 percent; he found this imbalance unsettling. "Particularly in view of the ever-broadening conception

7. Finkel (2012) has long championed this point, and titles a section of his book "Ontario: Wealth and Want"; the same consideration suffuses Struthers (1994).

8. Tax compliance was only 77 percent in 1933, but by the end of the war had increased to 95 percent and remained there for the postwar period (Toronto 1950, 16).

of state responsibility with respect to the costs of education and social services," he wrote, "there is no doubt that the time is long overdue when either the direct revenue sources of municipalities should be enlarged or further assistance by way of grants should be forthcoming from the senior levels of government" (Toronto 1950, 18). Lascelles was correct, and we now know his latter option was the road taken.

The City's annual operating budgets in the early 1950s were between \$70 and \$80 million dollars.[9] Expenditures were broken down into categories, the largest by far being education, at about 30 percent of overall expenditures.[10] Next was protection – primarily firefighters' and police officers' salaries – at just under 30 percent, then social services, sanitation, and debt charges, each between 10 and 15 percent. Revenues came mainly from the property tax – 79 percent of overall revenue in 1953 – and the remainder from fines, licence fees, user charges for municipal products and services (of which the waterworks was the largest), and grants from the provincial government. The Province had been providing municipalities with annual, per-capita grants since 1937; Toronto's was \$3 million in 1953.

The City was carrying some debt. At year-end 1953 it had on its books (excluding debts it held for independent revenue-producing agencies such as the TTC, which were obliged to service and repay their own debts) \$47 million of debentures, incurred to fund past investments into schools, highways, parks, public housing, water and sewage treatment plants, and other public facilities (Toronto 1953). The amount appears to have been in line with debt levels of the previous few years; it required \$4.99 million in servicing charges, 10.5 percent of that year's expenditures. The City kept up this debt, issuing new debentures for capital projects every year. Capital expenditures (which were financed mostly by debt) in 1953, the last year before Metro's creation, were \$30.04 million, of which the largest by far, \$16.64 million, was on behalf of the TTC; other significant capital expenditures were for waterworks, the sewage plant, the Regent Park housing project, and what were then referred to as "in-city highways."

2.2 Toronto as Part of Metro

The creation of Metropolitan Toronto changed everything. In 1955, Metro's second year, the City was called upon to transfer \$21 million, about 31 percent of its property tax revenue, to metropolitan bodies, about two-thirds (\$13.26 million) of which went to the Metro school board and one-third (\$7.74 million) to Metro's general operations (Toronto 1955, 25). The City raised its mill rate

9. All financial figures cited in this essay are the amounts stated at the time, disregarding later inflation, unless otherwise noted.

10. Since education expenditures were not controlled by the City or by Metro they are not analyzed to any extent in this paper. School boards had independent taxing powers, and municipalities simply collected taxes levied by the boards. But education expenditures are occasionally mentioned, and for comparison purposes are included, in the aggregate, in some tables.

Table 2: City of Toronto General [Non-Education] Operating Expenditures
(in $ millions and as a percentage of year's general expenditures)

Expense Category	1953		1955		1960		1965		1970		1975	
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	%
General Administration	3.53	7.6	2.87	5.7	6.88	7.7	10.45	8.6	13.97	8.8	28.41	11.6
Protection	13.18*	28.3	13.79*	27.4	.67	10.5	11.81	9.8	21.07	10.6	36.66	15.0
Health	2.29	3.4	2.26	4.5	3.07	3.5	4.23	3.5	5.06	3.2	8.85	3.6
Public Works ("Highways" 1953 and 1955)	4.01	8.6	3.34	6.6	4.36	4.4	6.09	5.0	20.61	13.0	25.22	10.3
Parks and Recreation	2.65	5.7	3.48	6.2	7.70	8.7	8.42	6.5	16.12	10.2	26.30	10.7
Sanitation	5.66	12.1	5.28	10.5	7.00	8.0	8.62	7.1	8.25	5.2	16.41	6.7
Social Services	7.07	15.2	3.72	7.4	.02	10.2	11.97	9.9	0.14	0.1	0.88	0.3
Libraries	0.96	2.1	1.17	2.3	NR		NR		NR		NR	
Planning/Development	NR		NR		NR		NR		2.83	1.8	7.25	3.0
Miscellaneous	2.26	4.9	2.43	4.8	1.16	1.3	2.49	2.1	7.19	4.6	NR	
Metro levy (general)	0	0	7.74	13.6	23.02	26.1	36.31	30.0	60.18	37.9	95.03	38.8
Debt charges	4.99	10.5	4.19	8.3	16.29	18.5	20.63	17.1	13.00	**	15.48	**
TOTAL	46.60		50.27		88.25		121.03		155.40		245.01	
TOTAL (1955$)	46.60		50.27		80.28		100.98		106.90		117.11	
Per capita (1955$)†	*$70.1*		*$73.71*		*$124.47*		*$154.17*		*$155.20*		*$170.96*	
Education (payments to both City and Metro boards)	21.60		25.44		43.17		61.30		130.00		160.55	

Sources: Toronto, various years
NR – Not reported: expenditures might have been accounted for in other categories.
* Fire and police; fire only from 1957.
** Debt charges are reported in separate tables rather than as annual operating expenses, so the proportion of annual expenditures cannot be readily determined; expenditure figures given here are "Net Debt Charges" from Toronto 1970, 31 and Toronto 1975, 30, and they are not included in the expenditure totals for these years.
† Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/ and population figures from Toronto, various years.

Table 3: City of Toronto Revenue (in $ millions and as a percentage of year's revenue)

Revenue Source	1953		1955		1960		1965		1970		1975	
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	%
Property tax, for all purposes	59.51	79.0	67.60	82.4	107.46	81.2	148.05	80.5	236.05	82.7	347.00	87.0
Property tax (1955$)	59.51		67.60		97.75		123.52		162.36		165.85	
Per capita (1955$)*	*$89.49*		*$99.12*		*$151.55*		*$188.58*		*$235.65*		*$242.12*	
Other gov'ts (primarily Ontario)	3.76	4.9	2.40	2.9	11.18	8.4	15.51	8.4	31.88†	11.2	39.01†	9.8
Payments in lieu (included in above)	*0.69*		*0.95*		*2.80*		*4.56*		*7.70*		*19.40*	
Other revenue**	12.10	16.1	12.04	14.7	3.00	2.3	5.72	3.1	12.76	4.4	12.91	3.2
Recoveries from metropolitan municipalities	0		0		10.65	8.1	11.31	6.1	4.84	1.7	NR	
TOTAL year's revenue	75.37		82.04		132.28		183.92		285.53		398.91	
Previous year's surplus	0.92		1.73		0.43		0.46		4.25		11.57	
TOTAL revenue	76.29		83.77		132.71		184.38		289.79		410.48	
TOTAL (1955$)	75.37		82.04		120.30		153.45		196.39		190.67	
Per capita (1955$)*	*$113.34*		*$120.30*		*$186.56*		*$234.27*		*$285.04*		*$278.35*	

Sources: Toronto, various years
NR – Not reported: revenues might have been accounted for in other categories.
* Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/ and population figures from Toronto, various years.
** Various non-tax revenues: fines, usage charges, licence fees, rentals, revenue from municipal enterprises such as the abattoir, waterworks, etc.; considerable variation from year to year.
† Includes revenue from municipal enterprises, previously included under Other revenue.

somewhat to cover Metro's demands, increasing its property tax revenue by over 10 percent. This was a fairly standard increment for the time, and it was accommodated easily enough; there is no sign of slippage in the city's impressively high tax compliance rates. Of course in transferring this money, the City was also passing on financial obligations: City expenditures declined significantly in several categories, especially social services, from 1953 to 1955.

Examining the City's expenditures (see Table 2), one is immediately struck by the steady rise, year upon year, in almost all categories; here is the expanding postwar economy and the growing postwar state. One can also observe, within this overall increase, several noteworthy changes in the relative proportion of certain categories. There is a slow, but steady, rise in the proportion going to general administration – despite several major responsibilities having been transferred to Metro – and to Parks and Recreation. The proportion turned over to Metro for general (i.e., non-education) purposes, referred to as the Metro levy, increased as Metro took on more responsibilities, and rose to over 30 percent of expenditures through the 1960s.

Social welfare expenditures declined sharply upon Metro's creation, but quickly returned to near pre-Metro levels, almost certainly the result of increased transfers from the Province under the new *General Welfare Assistance Act* (the provincial response to Ottawa's *Unemployment Assistance Act*). But these expenditures, which remained high in 1965, suddenly dropped to almost nothing in the late 1960s, reflecting a decision by the Province to transfer all social welfare responsibilities to Metro in 1967. This shift of responsibility to Metro also shows in the proportional increase in Metro's levy from 1965 to 1970.

* * *

At the end of the period of study, the mid-1970s, several important changes had begun to emerge.[11] The cost of firefighting (most of the Protection budget) was reaching new heights. Public Works (primarily road construction and maintenance) had become and remained a significant category of expense, even though Metro was the builder and custodian of most major roads. The City, on the other hand, carried almost no welfare costs, the 1967 transfer to Metro having taken full effect. Planning and Development had become an important category, the result of a major expansion of the planning staff in the early 1970s and of the Development Department's taking on several urban renewal projects. Capital expenditure (see Table 4) rose fairly steadily throughout the period, the largest investments being in public housing (these expenditures were largely recoverable from the Canada Mortgage and Housing Corporation), public works (mostly roads and bridges, although the category is not broken down in the reports for these years), the local sewage system (which needed upgrades in older neighbourhoods),

11. Financial figures from the 1970s must be viewed cautiously on account of the severe inflation of those years, so proportions make for a better indication of trends than absolute numbers.

and the construction of new City Hall. The late 1960s show a slight curtailment, perhaps reflecting concern over rising interest rates for debentures (expenditures on debt servicing declined in these years as well), but this did not last. Capital expenditures rose sharply in the early 1970s.[12] Capital expenditures were not entirely debt-financed – in 1966, to raise capital for expansion and upgrades to the sewer system, the City imposed a surtax on building enlargements, the rationale being that larger buildings necessitated increases in sewage capacity (Toronto 1968, 26–27).[13] But most capital expenditures were financed with borrowed money.

2.4 Revenues

The City's main source of funds (see Table 3) continued to be the property tax, which provided 80 to 90 percent of annual revenue (the higher proportions occurred in the 1970s). The remainder came from various fees and fines, usage charges for municipal services, and grants from other governments, primarily the Province. Provincial funds sometimes came earmarked for specific projects or programs, or for a certain purpose, but the Province also provided an unconditional per-capita grant. The latter went to Metro, not the City, but Metro passed it along to the local municipalities on the basis of population (not on the basis of property assessments, or needs, a decision that became a matter of dispute) so the per-capita grant did, in a sense, provide City revenue.[14]

The Province also made payments "in lieu of" taxes (public buildings were not required to pay property tax, but the owners of such building were urged, and in some cases required, to pay municipalities an amount comparable to what the property tax would be). All told though, as the figures show, the provincial government was not as important a source of funds for the City as one might think. The City of Toronto relied overwhelmingly on the property tax to sustain its operations throughout the years of this study.

The Province was, however, responsible for an important feature of the property tax system – Ontario cities taxed residential and commercial properties at different rates. This differential began in 1957, when the Province enacted legislation requiring that its unconditional per-capita grant be used to defray only residential (not commercial) property taxes. This decision seems to have been made to rectify what was thought to be an excessive burden on residential property owners – a specious concern, most experts now say, but widely believed at the time nonetheless – and because commercial property owners could deduct property tax payments for income tax purposes while residential owners could not, a more legitimate position (Bird and Slack 1978, 10–11, 16). Beginning in 1957 the City had two different mill rates – one for commercial property and another, lowered by the subsidy, for residential property. "Split mill rates," as

12. This was the case with Metro; see section 3.

13. It is not clear what category this revenue was applied to; it raised $1.3 million in 1971.

14. Financial statements do not itemize this transfer, so precisely how it was done is not clear.

*Table 4: City of Toronto Major Capital Expenditures (in $ millions)**	
Year/Total	**Major Specific Expenditures or Categories** (Reporting varies from year to year)
1955 Total = 11.04	Regent Park North: 1.73 Parking Authority: 1.59 Building grant to University of Toronto: 1.00 Highways: 2.10 Purchase of Market Block: 0.63 Parks and Recreation (includes shore protection): 0.78 Sewerage System: 0.56
1960 Total = 13.83	City of Toronto Limited Dividend Housing Corp: 1.19 CNE Grounds Redevelopment: 0.53 Parking Authority: 0.82 City Buildings: 1.07 Highways: 3.43 Moss Park Redevelopment: 3.05 Parks and Recreation: 1.53 Sewerage: 1.35
1966 Total = 25.78	New Civic Administration Building: 4.38 Parks and Recreation: 1.39 Redevelopment Projects: Alexandra Park, 4.87 (at least 75% recoverable from other governments) Don Mount, 2.03 (same) South Side of Queen Street [opposite City Hall], 2.40 (not recoverable) Sewerage: 5.19 Parking Authority: 1.11 (Note: 1964 shows 3.50 for Moss Park Redevelopment Project and 8.63 for New City Hall)
1971 Total = 18.61	Protection of Persons and Property: 1.81 Public Works: 10.66 Recreation and Community Services: 4.34
1975 Total = 41.32	Transportation Services: 6.42 Environmental Services: 9.83 Recreation and Cultural Services: 7.21 Planning and Development: 16.59

Sources: Toronto, various years
* Does not include capital expenditures for education.

this system was called, remained in effect through the entire period of this study (Toronto 1957, 11–12), and under it, in accord with provincial policy, Toronto consistently taxed commercial property at a significantly higher rate, per assessed value, than residential property.

Provincial concern over residential property taxation did not end here (Bird and Slack 1978, 87–120). In 1967 the Ontario Commission on Taxation recommended further relief for residential property owners, along with increased municipal grants. In a series of reforms in the late 1960s and early 1970s the Province did both. It began providing substantial funds under a "Residential Property Tax Reduction Plan" in the late 1960s; this subsidy was eventually rolled into newly structured, and more generous, provincial grants in the early 1970s that sought, with some success, to fix the problem of property taxes weighing more heavily on lower-income property owners.[15]

3. Metropolitan Toronto Finances

Initially, Metropolitan Toronto's largest operating expenditures were on roads, the sewage system, and health and social services – no surprise, since the need for the first two had been among the principal reasons for Metro's formation, while the third, although not as prominent in the public debates, had also been a priority for Metro's creators, striving for equity across the metropolitan region. These initial financial priorities also seem to reflect a belief that Metro, from this point forward, would be the principal municipality of Toronto and should thus carry the larger, traditional municipal responsibilities.

In 1956, after a thorough review, Metro Council amalgamated the 13 local police forces into a Metropolitan Police Service, adding the police to Metro's responsibilities. As of 1957, expenditures for Protection of Persons and Property – primarily the police – became another major expense.[16] These four spending areas remained the leading categories for the duration of this study, with roads and sewage (considered "hard services") generally decreasing, proportionally, as the years passed.

3.1 Social Welfare Expenditures

The evolution of Metro's social services, and the impact of this evolution on Metro's finances, deserves some attention.

Initially Metro was given three major financial obligations in this realm, all of them traditional municipal responsibilities that prior to Metro's creation had been handled, as prescribed by provincial law, by the City of Toronto. The largest was "hospitalization" – mostly the payment of hospital fees for "indigent" patients,

15. Payments under this plan first appear in revenue statements for 1968 (Toronto 1968, 23) and disappear in 1973, although provincial subsidies continued in other ways (Toronto 1973).

16. This change required an amendment to the *Municipality of Metropolitan Toronto Act* (Statutes of Ontario, 1956, Chapter 53, Part X-A).

but also grants for building and operating certain public hospitals.[17] Another obligation was providing grants to support the local Children's Aid Society (CAS). The third was building and operating Homes for the Aged for low-income adults in need of care, a responsibility recently imposed on municipalities by the Province.

These arrangements had been in place only a few years when they began to change. The Province introduced full public hospital insurance effective 1 January 1959, relieving municipalities of most hospital expenditures. Metro would continue providing all previously committed funds, and even made some new commitments in the 1960s; as part of its welfare obligations, Metro retained responsibility for "indigent patients" until the 1970s, but hospitalization expenditures, overall, fell in amount and significance after 1959.

Payments to CAS, on the other hand, rose in tandem with a growing CAS caseload, but so too, after 1965, did provincial funding, something the Province could afford to do because child welfare costs were covered by Ottawa's new Canada Assistance Plan. Beginning in 1965, under the new *Child Welfare Act*, the Province began funding 100 percent of CAS costs for children of unmarried mothers; it paid only 60 percent of costs for other children under CAS care, leaving Metro responsible for the remaining 40 percent of this category. This was a major reduction in municipal responsibility (Metropolitan Toronto 1966 and 1972).[18] The Province considered taking full control of Children's Aid Societies at this time; it opted not to do so, for various reasons, and left them as independent local bodies, but it did begin funding them directly rather than through municipalities (McCullagh 2002, 142–43). Around this time, as well, the Province amended its *Day Nurseries Act* to increase funding for licensed day cares and day nurseries for low-income families.

Homes for the Aged remained Metro's responsibility throughout the years of this study. By 1963 Metro had built or purchased five such facilities, with a total capacity of 2,300 residents (Metropolitan Toronto 1963, 14–17). Metro had also begun providing what it called "elderly persons' housing" – rental accommodation for low-income but still largely self-reliant seniors – through the Metropolitan Toronto Housing Company, a limited-dividend corporation Metro had established in 1955 to be a conduit for federal CMHC funds. By the mid-1960s the company owned more than a dozen of these rental buildings, and more were planned.

The financing of this housing was complex. Homes for the Aged were entirely Metro's responsibility. Metro raised capital to build them (half of which was subsequently refunded by provincial grants) and then financed their operation, although about half the operating cost was defrayed by provincial grants too, and

17. Many hospitals at this time were run by religious groups or other charities and thus were not, strictly speaking, public.

18. Section 12, *Child Welfare Act*, Statutes of Ontario, 1965, Chapter 14; Metropolitan Toronto 1972, Introduction, includes a useful recap of changes in policy.

over a third was recovered through charges to the residents. This left Metro, in 1963, covering about 18 percent of the operating costs of these five buildings, just under $1 million total, out of general revenue.[19]

Rental housing for the elderly was another matter, as it was built under the auspices of the CMHC. For these facilities, Metro took out a mortgage to front the capital costs of each project, on the understanding that 90 percent of this money would eventually be covered by a CMHC mortgage – which in all cases it was – and that the Province would make a contribution, based on the number of suites in the building, to the remaining 10 percent. This arrangement left Metro with a small, but not negligible, stake in the housing.[20] The buildings were operated by the Metropolitan Toronto Housing Company, not Metro per se, and the company set rental rates and applied for other public funds to cover costs.

Metro also began providing housing for low-income families – what is usually thought of as "public housing" – through the Metropolitan Toronto Housing Authority, formed in 1955. Metro's role in this type of housing was limited by several factors, chief among them disagreements with the City of Toronto over the housing's form and location and questions of whether and how the housing should be connected to urban renewal schemes. The City thought it should be connected, believing that new public housing would help to renew old derelict areas; Metro disagreed and favoured putting public housing in new suburban areas, where land was cheaper and more readily available. Metro did build several suburban public housing projects, most of which still stand (Lawrence Heights, Warden Woods), but these projects never became a major part of its housing program.

Metro's entire housing program, like other programs, was transformed by provincial action in the 1960s – in this case by the Province's creation of the Ontario Housing Corporation in 1964 and the OHC's assumption of nearly all municipal housing over the course of a few years. By 1970 all that was left of Metro's housing affairs was Homes for the Aged, still being built and run by the Metropolitan Toronto Housing Company, which the OHC had not taken over, and some of the City of Toronto's renewal/housing projects, notably Alexandra Park, for which Metro had been assigned full municipal responsibility in 1968.[21]

19. Housing costs were rolled into "Health and Welfare" and not separately itemized in financial statements, but in his introduction to the 1963 report, the Finance Commissioner relates the details given here; more precisely, operating costs for the five Homes were $5.2 million, applicable provincial grants totalled $2.2 million, and recovery from residents was $1.9 million, leaving Metro paying $0.94 million.

20. Glen Stewart Acres on Kingston Road in East Toronto, which in 1963 was the most recently completed building, provides a useful example. It was about average in size and capital cost – 154 suites, $1.05 million – and received subsidies of $847,000 from the CMHC and $77,000 from the Province, leaving Metro with a capital cost of $123,000 (Metropolitan Toronto 1963, 15–16).

21. Metro's concluding housing affairs are well summarized in Metropolitan Toronto (1968, 19).

3.2 Other Fiscal Developments

Metro made numerous capital expenditures, two or three times more than the City in total dollar amounts. Roads and the sewage system were the most urgent priorities. Immediately upon its formation, Metro began building new expressways and widening suburban arterial roads, several of which required new bridges, and started work on a large new sewage treatment plant at the mouth of the Humber River. But capital went into lower-profile projects too, such as the purchase of parkland and the construction of old-age homes and courthouses.

The source of capital funds varied. Some came from higher-level governments; the Province contributed generously to roads and the federal government to housing. Some also came from municipal revenue. In 1957 Metro Council imposed a special 2-mill increment to its property tax levy specifically for capital purposes – "to relieve debenturing," the Commissioner of Finance explained. This was a substantial surtax, comprising 19 percent of Metro's property tax revenue the first year it was applied and continuing to yield upwards of $10 million annually. Expenditure of the funds raised through this special levy was always separately reported (see Table 5); they went initially into various projects, but ended up primarily providing capital for the TTC subway expansion.[22]

Most of Metro's capital expenditures (see Table 6) were financed with borrowed money. Metro quickly ran up a huge debt to build its public infrastructure, and its civic leaders had no qualms about acknowledging this debt. The Finance Commissioner declared quite proudly that Metro had issued nearly a billion dollars of debentures in its first 10 years – roughly divided three ways among the Metro municipality, the Metro School Board, and the individual local municipalities. The latter two bodies were responsible for their own debts, but this still left Metro with a heavy burden, two or three times that of the City of Toronto. Through the mid-1960s its debt charges represented 25 percent of annual operating expenditures – the maximum allowed by provincial regulations. Yet the charges were always met, largely because of rising property assessment and correspondingly rising property tax revenue – increases that were fuelled, of course, by the infrastructure being built with the borrowed money. One is hard-pressed to imagine a more successful case of debt being used for the public good.

Metro's financial circumstances, like those of the City, began to change in the late 1960s. The Province restructured Metropolitan Toronto effective 1 January 1967, and among the changes was assignment of *all* welfare costs – until then split between Metro and the local municipalities – to the metropolitan level of government, largely in the interests of greater equity, since some local municipalities were finding it more difficult to cover welfare costs than others (Goldenberg 1965, 96; Rose 1972, 101–02). At about this time, as well, the Province amended its *General Welfare Assistance Act* and began covering 80

22. Total revenue from property tax was $32.84 million, of which $6.37 million was from the special 2-mill levy (Metropolitan Toronto 1957, 12, 17).

Table 5: Metropolitan Toronto Major Operating Expenditures (in $ millions and as a percentage of year's general expenditures)

Expense Category	1955		1959		1965		1970		1976	
	$M	%	$M	%	$M	%	$M	%	$M	%
Protection of Persons and Property	0		20.21	32.0	34.34	30.5	53.73*	24.6	150.79*	31.2
Health and Welfare	8.04	36.8	11.26	17.8	16.74	14.9	65.59	30.0	125.52	26.0
Roads and Traffic	3.84	17.6	6.69	10.6	7.81	6.9	14.79	6.8	20.91	4.3
Sewage System	2.00	9.2	2.73	4.3	4.14	3.7	7.35	3.4	17.93	3.7
General Administration	2.81	12.9	3.69	5.8	5.89	5.2	5.44	2.5	12.28	2.5
Justice†	2.11	9.7	0		0		0		0	
Parks and Recreation	0.04	0.2	1.18	2.8	2.34	2.1	7.35	3.4	19.39	4.0
Refuse Disposal	0		0		0		5.71**	2.6	12.45**	2.6
Special Capital Levy (mostly TTC)			7.13	11.3	9.38	8.3	11.57	5.3	Included below	
TTC subsidy	0		0		0		0		55.23	11.4
Unclassified	0.15	0.7	1.61	2.5	3.79	3.4	5.68	2.6	6.36	1.3
Debt charges	2.85	13.0	8.67	13.7	28.09	25.0	41.10	18.8	62.16	12.9
TOTAL	21.85		63.15		112.56		218.30		483.04	
TOTAL (1955$)	21.85		57.45		93.91		150.15		217.60	
Per capita (1955$)††	*$16.80*		*$38.56*		*$52.17*		*$75.08*		*$100.74*	
Education (for comparison)	33.46		61.28		114.82		398.74		645.09	

Sources: Metropolitan Toronto, various years

* Police salaries $50.76M in 1970 and $136.88M in 1976; ambulance services first appear 1970 and are $11.86M in 1976 (mostly covered by provincial grants – see revenue table).

** Metro assigned responsibility for refuse disposal (but not collection) in 1967.

† Justice included in Protection of Persons and Property 1959; assumed by Province 1968.

†† Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/ and population figures in summary table of Metropolitan Toronto, 1976, 54.

Table 6: Metropolitan Toronto General Capital Expenditures and Contributions from Other Sources (in $ millions)*

Expense Category	1955		1959		1965		1970		1976	
	Capital Expenditures	Contributions	Capital Expenditures	Contributions	Capital Expenditures	Contributions	Capital Expenditures	Contributions	Capital Expenditures	Contributions
Expressways and Arterial Roads	10.23	5.72	13.86	6.88	32.15	16.12	17.94	9.66	20.22	8.49
Sewage System	2.06	0.49	12.39	2.60	4.38	1.76	6.48	1.93	37.54	11.78
Homes for the Aged	2.17	1.57	0.63	0.31	1.50	0.78	1.27	0.63	4.68**	0.91
Parks	2.21	0.03	0.96	0.11	1.17	NR	1.80	NR	7.61	0.64
Conservation Authority	0		0.51	NR	0.89	NR	0.87	NR	1.95	NR
Refuse Disposal	0		0		0		0.61***	NR	6.89	0.65
Rapid Transit	0		2.53	NR	28.5	10.84	21.88	8.88	102.08	81.51
Courthouses/Jails	0.51	NR	0.02	NR	10.32	NR	0.34	NR	NR	
Traffic Engineering	0		0		0.56	NR	0.09	NR	0.15	NR
Housing and Urban Renewal	0		0		0.18	NR	2.23	NR	0.08	NR
Police and Emergency	0		0		0		0		8.26	2.80
Other			0.47		0.02				2.43	0.28
TOTAL (for which Metro responsible)	17.18		31.37		79.67		53.51		191.89	
Waterworks†			3.73	0.11	15.53	1.21	3.92	0	28.54	8.51
TOTAL	17.18	7.81	35.10	10.01	95.20	30.71	57.43	21.10	220.43	115.57
Net (capital expenditures less contributions)	9.37		25.09		64.49		36.33		104.86	
Net (1955$)	9.37		23.12		53.81		24.99		47.24	
Per capita (1955$)††	*$7.21*		*$15.52*		*$29.99*		*$12.50*		*$21.87*	

Sources: Metropolitan Toronto, various years
NR – No contribution reported
* Contributions are shown where significant; mostly from the Province of Ontario.
** Category is "Assistance to Aged Persons"; may include more than Homes for the Aged.
*** Metro assigned responsibility for refuse disposal (but not collection) in 1967.
† Waterworks responsible for servicing its capital debt.
†† Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/_and population figures in summary table of Metropolitan Toronto, 1976, 54.

percent of municipal welfare costs. These two actions raised Metro's Health and Welfare expenditures (as well as revenues) to new heights. Another important change was the Province's 1970 reconfiguration of its longstanding unconditional per-capita municipal grant into what it called a "Regional Municipal Grant" – part of its formation of "regional municipalities" – that included additional funds for regional municipalities that operated police services.

Public Transit

Changes also came in funding for public transit.[23] Since its inception in 1921, the Toronto Transportation Commission had been required to be financially self-sustaining. As the commissioner put it in an annual report, "Fares must be sufficient to make all transportation facilities self-sustaining after providing for maintenance, renewals, depreciation, and debt charges" (Toronto 1947, Report of TTC). This requirement remained when the commission was reconstituted into a metropolitan service in 1954 as the Toronto *Transit* Commission. The new commission's operations still had to be, in today's parlance, "100 percent dependent on the farebox."

Matters turned out to be not so simple. First, in 1949, to assist in construction of the new subway, the City issued debentures of $15 million on behalf of the TTC (though the TTC was obliged to service and pay back this debt). Council had agreed to this arrangement in November 1945, and the electorate had endorsed it in a referendum held January 1946 (Frisken, 2007; Toronto 1949, Report of the TTC). This city-held debt rose to $65 million before the subway was finished in 1954 (Toronto, 1951–1954).

Soon after Metro was formed and the commission reconstituted, it appealed to the metropolitan government for assistance in expanding its operations to new, less-developed areas where ridership was low. Metro obliged with a $2.3 million grant in 1956. And when the new Bloor-Danforth-University subway line was approved in 1958, Metro agreed to cover the cost of purchasing the line's right-of-way and to contribute towards some other capital costs with its own debenture issues and a portion of its newly imposed 2-mill capital levy (Young 2012, 173–90).[24] The Province was indirectly involved by this time too, lending and granting money to Metro under the existing *Highway Improvement Act*,[25] which in turn Metro put into the subway.

In 1967, with the Bloor-Danforth-University line nearing completion, Metro Council approved a northward extension of the Yonge subway line, and expected to continue contributing as it had with funds at least partly provided by the

23. Details in the following passage are drawn from the narrative introductions in Metropolitan Toronto, various years; 1960, 1966, and 1972 are especially useful.

24. This agreement was heatedly opposed by Metro councillors from municipalities not served by the subway, straining the very concept of metropolitanism.

25. The argument was that a subway right-of-way was essentially the same as a public highway (Metropolitan Toronto 1962).

Province. But with public transit gaining popularity in these years of nascent environmentalism, and with the recent introduction of provincially subsidized GO Transit commuter trains in the region, the Province made a fundamental change and began providing direct capital funding (Young 2012, 285, 382–83). First, in 1970, it agreed to pay half the cost of the subway's right-of-way; then in July 1971, under new provincial legislation, half the cost of all land and equipment; and then, in November 1972, 75 percent of all public transit capital costs. Metro was still contributing capital as well, and between them they had become the main shareholders of the enterprise. The new Spadina subway, approved in September 1972, was to be financed 72 percent by the Province and 28 percent by Metro.

This, of course, was capital expenditure. But in 1971 Metro council made a formal agreement to cover the commission's operating deficits as well, which were reaching new heights (Metropolitan Toronto 1976, Report of the TTC). The problem was that the TTC's steadily rising operating costs were being met by slightly reduced revenues brought on by cancellation of the two-zone fare system under which passengers crossing between designated inner and outer zones had paid a second fare; as of 1973, passengers could travel anywhere in Metropolitan Toronto on a single fare (Metropolitan Toronto 1974).

With public transit increasingly seen as an environmentally and socially beneficial service, public subsidy of its operations seemed warranted. As Metro's Finance Commissioner put it, the double fare was terminated "as a further encouragement to Metro citizens to use their public transit system" (Metropolitan Toronto 1973; Young 2102, 175). Over the course of about 10 years, Toronto's transit system had evolved from an independent, user-funded, self-sustaining service into a taxpayer-funded and thus politically dependent service, a shift premised on the notion that money spent on public transit benefited even those who did not use it.

3.3 Metro Revenues

The City of Toronto's tax base was the foundation of Metro's revenue from the start, and the City remained its largest source of revenue through the years of this study (see Table 7). The proportion of population in and revenue drawn from the three large suburban municipalities (North York, Etobicoke, Scarborough) increased steadily, however, and Metro's reliance on the City declined correspondingly. So while it might have been the case at the start of the period that Toronto property owners were paying to develop the suburbs, it was not so at the end. There might also be some truth to the claim made by some suburban councillors in the 1970s that the suburbs were paying to build a subway for the central city. Such is the nature of metropolitanism; local problems with metropolitan implications are best solved by collective action.

One feature of this arrangement that was as true at the beginning as at the end of the period is that Toronto was the one municipality whose share of the metropolitan levy was significantly greater than its proportion of the metropolitan

Table 7: Percentage of Total Metro Levy Drawn from Each Municipality and Percentage of Metropolitan Population										
Municipality	**1955***		**1960***		**1965***		**1970****		**1976****	
	% Levy	**% Pop**	**% Levy**	**% Pop**	**% Levy**	**% Pop**	**% Levy**	**% Pop**	**% Levy**	**% Pop**
Toronto	58.0	52.7	50.0	42.2	43.6	36.3	41.0	34.9	38.7	31.5
North York	9.9	11.4	14.9	16.2	18.9	20.4	22.3	23.8	23.8	25.9
Etobicoke	7.4	7.2	10.4	9.6	12.7	11.5	15.2	13.8	15.2	13.6
Scarborough	6.6	8.5	9.4	13.0	10.7	14.6	12.2	15.7	13.7	17.7
York	6.3	8.7	5.6	8.1	4.9	7.2	4.9	7.1	4.7	6.5
East York	3.7	5.3	2.9	4.5	2.7	4.0	4.5	5.1	3.9	4.9

Sources: Metropolitan Toronto, various years
* Figures for these years do not include the seven smallest municipalities (Long Branch, Mimico, New Toronto, Weston, Forest Hill, Swansea, and Leaside), which make up about 6% of the metropolitan population; percentages thus do not sum to 100%.
** Figures for these years are complete. The seven smallest municipalities were incorporated into these six larger municipalities on 1 January 1967.

population – further evidence of metropolitanism in action. The main reason was the large amount of commercial (and industrial) property in the city, together with the policy, noted above, of taxing such property more heavily than residential property. In 1965, to use a sample year, Toronto's contribution to Metro revenue was $36 million (43.6 percent of the total, as shown in Table 7), but $23 million of this was from commercial property and $13 million from residential (Metropolitan Toronto 1965, 71). Clearly the city's old, dense areas of commerce and industry were an essential piece of the metropolitan fiscal picture.

Overall revenue tables reveal the importance of provincial funds. Property taxes provided a smaller proportion of Metro's revenue than the City's (compare Table 8.1 with Table 3), and provincial grants provided a correspondingly larger proportion. The greatest increases in provincial funding occurred from the mid-1960s to the mid-1970s – provincial contributions to Metropolitan Toronto more than doubled, proportionally, from 1965 to 1976 (see Table 8.2). The largest amounts went to social welfare, police services, and public transit, but nearly all departments of Metro's government were receiving some provincial funds.

That is not to suggest an inappropriate imbalance between the two levels of government. Metropolitan Toronto had been created to provide large-scale metropolitan services, even more so after it was assigned full responsibility for social welfare, and since many of these services were cost-shared with the Province, Metro naturally received more provincial funds than the local municipalities.

Table 8.1: Metropolitan Toronto Gross Revenue (in $ millions)

	1955		1959		1965		1970		1976	
TOTAL Property tax revenue (general and education use)	36.03		77.49		149.48		441.60		716.07	
TOTAL (1955$)	36.03		71.41		124.41		303.73		322.57	
Per capita (1955$)	*$27.71*		*$47.73*		*$69.12*		*$151.87*		*$151.65*	
Revenue for general use ($ millions and percentage of year's general revenues)										
	$M	%	$M	%	$M	%	$M	%	$M	%
Property tax	13.26	57.2	38.45	59.1	80.40	69.0	142.76	64.3	275.13	53.7
Province of Ontario (Details in Table 8.2)	7.65	33.0	14.90	22.9	19.76	17.0	59.51	26.8	177.29	34.6
Fines and fees, usage charges, surpluses, sundry revenues	2.26	9.8	11.74	18.0	16.44	14.1	19.60	8.8	59.79	11.7
TOTAL General revenue	23.17		65.09		116.60		221.87		512.39	
TOTAL (1955$)*	23.17		59.98		97.28		152.60		230.82	
Revenue for education use, for comparison										
Property tax	22.77		39.04		69.08		298.84		440.94	
Provincial education grant	9.24		23.30		45.24		103.21		190.22	
Surpluses and sundry revenues	1.79		2.37		3.32		9.22		15.53	
TOTAL Education revenue	33.80		64.71		117.64		411.27		645.69	

Sources: Metropolitan Toronto, various years

* Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/ and population figures in summary table of Metropolitan Toronto, 1976, 54.

Table 8.2: Metropolitan Toronto Revenue from Province of Ontario (in $ millions)					
Earmarked for	**1955**	**1959**	**1965**	**1970**	**1976**
Health & Welfare:	1.00	4.17	5.27	37.06*	74.72*
Children's Aid Societies	*0.54*	*1.63*	*2.22*	*0*	*0*
Homes for the Aged	*0.46*	*1.67*	*2.44*	*4.96*	*15.59*
Indigent Hospitalization	*NR*	*0.76*	*0.61*	*0.81*	*NR*
Roads	1.44	2.70	3.7	5.48	7.68
Protection	0	0.36	0.83	2.72	34.47**
Unclassified		0.29	0.48	0.24	0.08
Public transportation	0	0	0	0	24.96
Per-capita grant	4.98	7.39	9.47	14.01	19.38†
General support grant					15.13
TOTAL	7.65	14.90	19.76	59.51	177.29
TOTAL (1955$)	7.65	13.73	16.49	40.93	79.87
Per capita (1955$)††	*$5.88*	*$9.21*	*$9.16*	*$20.46*	*$36.98*
Provincial education grant, for comparison (in 1955$)	9.24	21.61	38.43	72.04	87.65

Sources: Metropolitan Toronto, various years
NR – Revenue not reported under this category, but could have been accounted for in other ways.
* Further breakdown:

- New sub-category: General Welfare Assistance 28.58 (1970) and 42.13 (1976)
- Nurseries and Day Cares: 1.49 (1970) and 11.32 (1976)
- Administration of Welfare Services: 4.28 (1976)
- Province began direct funding of CAS after 1965

** Now includes grants for ambulance services, $8.63 million this year; also see note below.
† Basic grant was $9 per capita ($19.38 million) but regional municipalities responsible for policing received an additional $12 per capita ($25.84 million), which is included here under Protection.
†† Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/ and population figures in summary table of Metropolitan Toronto, 1976, 54.

3.4 Metro in the 1970s

This analysis of Metro concludes with a brief review of its finances as the period of study comes to an end (see Tables 5 and 6). Operating expenditures in most categories were increasing faster than ever, largely the result of rapid inflation in the 1970s but also of ongoing improvement or expansion of services (Kitchen 1977, 40–42).[26]

26. Kitchen (1977) calculated that of Metro's increase in expenditures between 1968 and 1974, 58.5 percent was due to inflation, 30.7 percent was due to increases in the "volume" of service (i.e., population increases), and 10.8 percent to increases in the level of service.

Three other trends stand out in the final column of figures in Table 5: hard services like roads and pipes had declined to nearly insignificant categories of operating expenditure (although they remained significant for capital expenditure), police services were holding firm at 30 percent of expenditures, and the TTC's deficit had risen from a negligible amount to demand 11.4 percent of the year's operating budget in 1976.

Another important trend, not readily apparent in Metro's financial reports, is the growth of municipal staff: from 1969 to 1976 the number of continuous, full-time employees of Metro Toronto increased from 8,004 to 13,074, an increase of 63 percent, while the population of Metro itself increased by only 11 percent (Metropolitan Toronto 1976, 23 and 54).

Hard services still drew the greatest share of capital expenditures, which is to be expected. Roads were still being built and the waterworks and the sewage system were both being expanded – the Highland Creek sewage treatment plant had just been completed and the main treatment plant in East Toronto was about to be substantially upgraded. Capital was still being invested into Homes for the Aged, waste collection and disposal sites, and the large, new Metropolitan Toronto Zoo. But investments into rapid transit – primarily the Spadina subway – had become by far Metro's largest capital expenditures.

4. Observations

Stepping back, viewing Toronto and Metropolitan Toronto finances together over the full span of this Golden Age, we can see several features worthy of note.

4.1 Education and Municipal Finances

One feature is the importance of public education to municipal finances. Education is traditionally viewed as a separate matter, distinct from general municipal finance – with good reason, since it was subject to its own unique pressures and it became, over the years of this study, more of a provincial than a municipal concern (Thomason 1995, 281). Moreover, school boards were independent elected bodies and they, not municipal councils, controlled education expenditures. As a result, although education expenditures have been noted in this study, they have not been fully analysed.

But one cannot help being struck by the burden that public education has imposed on the municipal property tax base. Over the years of this study, the City of Toronto poured nearly half of all the property tax it collected into public education, and Metro most years contributed more than half. There is no sign of this allocation being questioned, presumably because public education was so highly valued; as well, school boards had had the power to draw on municipal property tax revenue for generations and nobody was about to challenge such a well-entrenched principle. But as Locke and Tassonyi (1993) observed in an analysis of Ontario public education province-wide, the education tax burden has likely hampered municipalities' ability to fund other important public services. The findings of this study lend credence to their observation.

4.2 Hard vs. Soft Services

Another trend is the shift in expenditures from hard to soft services, something observed by, among others, the Royal Commission on Metropolitan Toronto in the 1970s (Robarts 1977, 163–64, 168). This observation is generally borne out here: the proportion of expenditures on facilities like roads and the sewage system tended to decline while those on administration, protection, and social welfare tended to rise.

The trend is not, however, completely straightforward. For one thing, it does not apply to capital expenditures, which were not for services but for lasting physical assets. Both the City of Toronto (a new City Hall, urban renewal and public housing, ongoing sewerage improvements, park and recreation facilities) and Metro (subway expansions, new courthouses, arterial roads and expressways, the Metro Zoo) continued investing in physical infrastructure through the entire period. Also appearing to run counter to the trend are Metro's subsidies to the TTC in the later years of this study, since public transit is conventionally classified as a hard service. In 1976 Metro spent over 11 percent of its operating budget on the TTC. These expenditures were not to build or purchase physical infrastructure – that was capital expenditure – but to cover the TTC's growing operating deficit, essentially to allow the transit commission to provide a socially beneficial service that (wage rates being what they were) did not pay for itself. The expenditures thus were for a fairly soft aspect of this hard service, so perhaps they do fit the trend after all.

Confusing the picture further is the fact that the City's social welfare expenditures declined in the late 1960s, although this was not due to reduced services or falling demand but to the transfer of welfare responsibilities to Metro in 1967. This change effectively rolled Toronto's welfare expenditures – which had been rising – into its property tax transfer to Metro. What is clear and unambiguous, however, is the rise in expenditures on the soft service of Protection, especially for Metro with its responsibility for the police. The high cost of uniformed services, still a concern in 2016, clearly has its origins in the later years covered in this study.[27]

4.3 Welfare State Expenditures

The arrival of the welfare state is also apparent, with the large increases in social welfare expenditures, especially for Metro. A precise quantification of this development is difficult, given changes in the programs, in responsibility for them, and in how they were classified. An imprecise, but still meaningful, observation

27. Police salaries are $50 million of the $54 million category (Metropolitan Toronto 1970, 57). Police and firefighters' salaries and pensions had been augmented in several ways over the years, such as a provincial contribution to Metro for the policing of liquor outlets that began in 1957 (1957 contribution: $312,000), or the City's decision that same year to reduce firefighters' formal work week from 56 to 42 hours, necessitating the hiring of 264 new firefighters (1957 cost: $383,000); see Metropolitan Toronto (1957, 13); Toronto (1957, 13).

might be that in 1953, the year before Metro's creation, Toronto spent 13.4 percent of its annual budget on Social Services; in 1976 Metro Toronto spent 26.6 percent of its annual budget on Health and Welfare (see Tables 2 and 5). By this simplistic measure one could say that municipal expenditures on social services doubled in importance over the years of this study.

Of course while this "doubling in importance" was under way, provincial government grants for Health and Welfare rose, in absolute dollars, from $1 million to $75 million annually (see Table 8.2) or, in 1955 dollars,[28] by about half that – still an enormous increase. Metro spent all this money of course, so the greater provincial funding caused greater municipal spending, but rising expenditures of this sort obviously do not mean a greater burden on local finances; the municipality was simply delivering new social services on behalf of the Province (see Table 9).

Over the years of this study Metro's health and welfare expenditures increased, net of grants and in per-capita constant dollars, but they did so more slowly than Metro's property tax in per-capita constant dollars. In fact the proportion of its property tax revenue that Metro spent on Health and Welfare actually *decreased* quite significantly. In 1955 its net Health and Welfare expenditures were 47.8 percent of its general-purpose property tax revenue (6.34 of 13.26, as shown in Table 9) and in 1976 they were 15.6 percent; viewed another way, in 1955 provincial grants covered 12.4 percent of Metro's Health and Welfare expenditures (1.00 of 8.07) and in 1976 they covered 58.1 percent.

Moreover, one cannot overlook the fact that the Province in these years also introduced public hospital insurance, expanded Mothers' Allowances, began direct support of the Children's Aid Society, and established full medical insurance. Meanwhile, the federal government, in addition to funding these provincial programs, began providing direct aid for social housing and urban renewal. These higher-level government actions did not provide funds directly to municipalities, but they lessened demands on municipal social services. The overall impact of the welfare state on Toronto might have been to relieve it of the traditional municipal responsibility for its neediest residents and to permit it to spend its property tax revenue elsewhere – for example, on physical infrastructure, police salaries, or parks and pools. By the end of the Golden Age, for better or worse, Toronto residents looked to the Province, not the City, for social assistance.

4.4 Public Debt

Another noteworthy theme is the prevalence of public debt. Deficit financing was a major factor in Toronto's Golden Age. Only by borrowing were Toronto and Metropolitan Toronto able to purchase and build the public facilities they did: the new City Hall and public square, the Humber Valley Sewage Treatment Plant,

28. The Bank of Canada's inflation factor for 1955 to 1976 is 2.17.

Table 9: Analysis of Metropolitan Toronto Health and Welfare Expenditures (in $ millions)					
	1955	1959	1965	1970	1976
Health and welfare expenditures (from Table 4)	8.07	11.43	17.74	67.40	128.56
Less provincial grant	(1.00)	(4.17)	(5.27)	(37.06)	(74.72)
Less other contributions	(0.74)	(1.51)	(2.70)	(6.34)	(10.88)
Net municipal expenditure	6.34	5.75	9.77	23.99	42.96
Net (1955$)	6.34	5.30	8.15	16.50	19.35
Per capita (1955$)*	*$4.88*	*$3.56*	*$4.53*	*$8.25*	*$8.96*

Sources: Metropolitan Toronto, Introductory "Statement of Revenues and Expenditures" various years.
* Calculated using http://www.bankofcanada.ca/rates/related/inflation-calculator/ and population figures in summary table of Metropolitan Toronto, 1976, 54.

James Gardens (in Etobicoke, on the Humber) and Edwards Gardens (in North York, on the Don), Alexandra Park housing, and the Metro Zoo, to name a few.

This debt created a financial burden. Both municipalities had to allot a significant portion of their operating budgets to debt servicing. Metro's burden was especially heavy in the mid to late 1960s when it was paying down its initial borrowing. But both municipalities were able to meet these charges and, as a result, constructed valuable public facilities.

4.5 The Late Golden Age

Something that often emerges from historical analysis is a "periodization" of the past in which stretches of time showing particular characteristics, usually the manifestation of a prevailing mindset or set of circumstances, are designated a "period." When circumstances and thinking change, old periods give way to new. This appears to be the case here. By the mid-1970s Toronto's municipal finances were becoming so fundamentally different from what they had been in the preceding generation – essentially the Golden Age – that a new period seems to have been emerging. Identifying these changes adds an important dimension to our understanding of the Golden Age.

One novelty in the later years was the large part played by the Province of Ontario in Toronto's affairs, especially its new role as a major funder of the public transit system. But there were others. Rising interest rates made long-term borrowing more expensive, and an emerging wariness about the value and efficacy of government spending made public borrowing harder to defend. The salaries of uniformed protection services, especially the police, had risen to become the leading municipal expenditure; the cause of this change is not identified in financial records, but collective action by unions was certainly a contributor

(Jackson 1995). The widespread unionization of the municipal public service, which led to steady upward pressure on wages, for both white- and blue-collar workers, might be considered another fundamental change marking the end of the Golden Age (Robarts 1977, 164; Rose 1995, 21–27).

Even more broadly, ideological social movements rooted in 1960s counterculture had begun affecting municipal affairs: "participatory democracy" brought citizens and their councillors into decisions about municipal services, and "neighbourhood planning" fundamentally challenged metropolitanism and the notion of regional equity (White 2016, 342, 366). Someone, or something, had turned the page by the mid-1970s, and the Golden Age came to an end.

Comparing Toronto's present-day finances with those of the Golden Age illuminates some important points. One clear point of contrast is debt. Toronto City Council now operates under a self-imposed ceiling on debt charges of 15 percent of each year's property tax revenues. Presumably this measure prohibits excessive borrowing, but it also limits the City's ability to invest into its own future, and makes a striking contrast with capital financing in the Golden Age. Strict self-imposed limits on borrowing were inconceivable in the Golden Age (see debt charges in Tables 2 and 5).

Another contrast is that the present-day debt limit is being imposed as the City is facing a sizable and growing "infrastructure deficit," a large part of which is a shortage of capital to renew and maintain older infrastructure in a "state of good repair" (Slack and Côté 2014, 13). The City made no mention of an infrastructure deficit in its Golden Age. It certainly needed infrastructure, but the capital required to finance it was within conventional limits, so there was no deficit in the sense there is today.

These two points of contrast not only shed light on the Golden Age, but also reveal how some present-day fiscal problems are the result of actions taken and decisions made in the Golden Age. Major investments in infrastructure in those days created extensive new physical systems that were bound to need renewal 50 years later, while the expansion of municipal staff, along with its unionization and improved wages and benefits in the age's later stages, laid the foundation for the present-day "post-employment benefits" crisis. Golden ages are better to experience than to follow.

5. Fiscal Health

By almost any measure, Toronto – both City and Metro – enjoyed robust fiscal health in the years of this study. Both municipalities met the most basic criterion of balanced annual budgets, although this fact on its own is not very meaningful, since Ontario municipalities were not legally permitted to run deficits. But both maintained balanced budgets because they met steadily rising expenditures with steadily increasing property tax revenue, and this ability to maintain, and in fact to increase, revenue year upon year is probably a better demonstration of fiscal health.

Rising total property assessments also contributed – the result of more developed property, not of higher property values, since property was not re-assessed every year. Moreover, the City of Toronto was also able to increase its property tax *rate* every year of this study, without a significant decline in tax compliance (Robarts 1977, 175–76). Underlying these trends were the economic growth and prosperity of the time and a faith that growth and prosperity were destined to continue. Indeed, it is difficult to separate the fiscal health of Toronto from the economic health of the region.

This is not to suggest that human agency played no part in the situation; effective fiscal management is also apparent. Holding rising operating expenditures within the limits of politically acceptable property tax increases – or for that matter imposing and defending property tax increases of nearly 5 percent per year – is no small accomplishment.[29] One sees adroit fiscal management in capital expenditures as well. Soon after Metro was formed, its managers prepared a capital plan that paid close attention to the demands of continental money markets, the planning and engineering logic that dictated what should be built when, and the internal politics of the metropolitan federation. This plan, which was modified somewhat as circumstances changed, was followed into the late 1960s (Toronto, various years). Municipal investment on this scale and at this pace was new to the managers, but they kept debt levels under control (Robarts 1977, 173–74). By imposing the special 2-mill capital levy in 1957, they lessened the need for borrowing; by pushing debt-servicing charges up to nearly 25 percent of annual expenditures for a few years they cut into the principal of their initial debts; by issuing shorter-term debentures when interest rates rose in the later 1960s they avoided locking in at high rates. These choices seem logical now, but other options were available. Perhaps what one is seeing here is financial managers having the freedom to manage.

Experts in municipal finance point out that fiscal health requires more than just balanced budgets and manageable debt charges. It also requires fiscal sustainability, which is to say it needs to include some consideration of the longer term (Bird 2014, 49–50, 53). While a historical study cannot assess fiscal sustainability definitively, it can and does reveal one essential point – the existence of the capital program referred to above, together with the issuing of debentures to carry it out. And as the City's finance commissioner put it, debentures provided the city with its "growth money" (Toronto 1960, 7). The sewage plants, expressways, and public parks built with debenture financing were for the future as much as, if not more than, for the present and the ambitious capital program of these years is thus further indication of fiscal health.

Capital investment did more than just enhance economic productivity. True, the Gardiner Expressway was an economically significant piece of infrastructure, being essential for central-city manufacturers and retailers as well as for large

29. Calculated as follows: property tax collected by the City increased (in constant dollars) from $67.60 million in 1955 to $165.85 million in 1975, an increase of slightly under 5 percent per year.

public institutions like hospitals or the Post Office. Similarly, a capital-intensive sewage collection and treatment system was critical for industrial and residential growth. But James Gardens, the new City Hall and its public square, housing in Moss Park and Alexandra Park, improvements to Exhibition Park, neighbourhood libraries, and the new Metro Zoo – all of which appear on lists of capital expenditures – were not economically critical in the same way. Capital investment in the Golden Age enhanced urban life as well as urban productivity – a balance that might be considered another sign of fiscal health.

Slack, Tassonyi, and Grad (2015, 8–10) have recently pointed out that to be truly sustainable, a municipal fiscal system should be both flexible enough to accommodate sudden increases in demand for services and not overly reliant on external funding that may dry up when economic or political circumstances change. Toronto's fiscal system in the years of this study measures up reasonably well on both counts, although it was not severely tested. There were few sudden spikes in demand for municipal services, such as those caused by the catastrophic Hurricane Hazel floods of 1954, which necessitated immediate infrastructure repairs and led to a long-term, fairly expensive program of regional flood control. Metro handled these unexpected demands easily enough (Metropolitan Toronto 1959, 18–19).[30]

As for the fiscal system's vulnerability to changes beyond its control, Metro's finances had been tied up with provincial cost-shared programs from the start, so in a sense its fiscal system was vulnerable in its conception, more so than the City's, but with secure provincial funding, this would not have seemed worrisome. Yet as Metro's finances grew increasingly integrated with the Province in the 1970s they began to show signs of a rather unhealthy dependence (Robarts 1977, 171–72), especially in public transportation and policing. The former was vulnerable to shifting political priorities for the province overall and the latter to provincial legislation that could compel a municipality to spend. So in the realm of dependence, Toronto's finances look healthy enough at the beginning of the Golden Age but less so at the end.

Toronto's fiscal system had two tiers. It included the finances of both Metropolitan Toronto and the local municipalities that constituted it. This study has concerned itself with Metropolitan Toronto and the City of Toronto, but assessing the health of the overall fiscal system requires paying attention to the other, less populous and less assessment-rich, municipalities.

Scarborough, for example, in 1960 covered 29 percent of the metropolitan area but counted just 13 percent of the metropolitan population and 10 percent of metropolitan assessment (see Table 10). It had little urban infrastructure and, on the basis of its current assessment could not hope, on its own, to raise the tax

30. The cost of the flood-control program was shared by both provincial and federal governments; Metro initially used a portion of its special 2-mill capital levy for the purpose (Metropolitan Toronto 1959, 18–19).

Table 10: Population, Area, and Assessment of the Area Municipalities Comprising the Municipality of Metropolitan Toronto, 1960						
Area Municipality	Population		Area		Assessment	
	Number	% of Total	Square Miles	% of Total	*Amount	% of Total
East York	69,373	4.54	5.6	2.34	$ 119,163,823	3.00
Etobicoke	145,847	9.55	42.7	17.81	434,246,542	10.92
Forest Hill	20,386	1.34	1.5	0.63	66,074,134	1.66
Leaside	16,645	1.09	2.3	0.96	70,717,641	1.78
Long Branch	10,783	0.71	0.9	0.37	18,133,466	0.46
Mimico	16,442	1.08	0.8	0.33	31,235,368	0.78
New Toronto	12,941	0.85	1.2	0.50	42,787,166	1.07
North York	247,764	16.23	69.5	28.99	634,388,456	15.95
Scarborough	198,724	13.01	70.3	29.33	396,799,014	9.98
Swansea	9,522	0.62	1.1	0.46	23,061,000	0.58
Toronto	644,948	42.23	34.9	14.56	1,898,294,179	47.72
Weston	9,535	0.62	1.0	0.42	22,613,035	0.57
York	124,195	8.13	7.9	3.30	220,079,406	5.53
	1,527,105	**100.00**	**239.7**	**100.00**	**$ 3,977,593,230**	**100.00**

*Assessment made in 1960, as basis for distribution of Metropolitan Levy in 1961.
Source: Metropolitan Toronto 1960, 86

revenue or borrow the capital to build the public facilities needed for its future population. But thanks to the equalizing forces of metropolitan government (and the assets of the City, upon which Metro borrowed), it soon had the same water and sewer services, Homes for the Aged, and public education as the rest of the metropolitan area, as well as parks and public golf courses in its major ravines, and wide, good-quality arterial roads in its emerging suburban neighbourhoods. All were built by Metropolitan Toronto.

Scarborough never got its expressway – one was planned but cancelled in 1974 largely on account of opposition from residents of Toronto (metropolitanism works both ways) – but it did get bus service throughout its extensive new suburbs. And in the early 1970s Scarborough became home to a huge new Metropolitan Toronto Zoo, built with tax revenue drawn from the entire metropolitan area. So Scarborough, all told, seems to have been well served by the metropolitan system.

The situation differed in York, an older, fairly densely populated inner suburb covering only 3.3 percent of the metropolitan area, but with 8.1 percent of the metropolitan population and 5.5 percent of its assessment in 1960. New metropolitan infrastructure was neither urgently required nor easy to add in this built-up municipality, and metropolitanism may have provided fewer benefits.

Experts remind us that fiscal health is achieved when there is an equitable balance not just between different levels of government but also among the individual municipalities making up a municipal financial system (Slack, Tassonyi, and Grad 2015, 13). The metropolitan government of Toronto, although not perfect, did a commendable job of achieving such a balance.[31]

6. Conclusions: The Lessons of History

The picture of the Golden Age that emerges from this analysis, at least up to the late 1960s, is one of balanced budgets, major investments in physical infrastructure, heavy public debt, top-down financial management with minimal public consultation, an emerging provincially funded welfare state, non-unionized municipal staff, substantial reliance on own-source revenues, and metropolitanism that trumped localism. Which of these features were most responsible for making Toronto the prosperous, functional city that it was – for making the Golden Age golden, in other words – is not easy to say. But all played at least some part.

Important changes began to emerge in the latter years of the period, however, that weakened many of these features, and they too might be considered elements of the Golden Age. By the 1970s investments had shifted away from physical infrastructure, public debt was falling into disrepute, top-down management was being challenged, municipal services depended increasingly on provincial subsidies, municipal staff was unionized, and localism generally trumped metropolitanism.[32] Some might make the case that these changes – especially the emphasis on social infrastructure, subsidized public transit, and the ascendancy of localism – actually define the Golden Age. However, doing so would undervalue the significance of the previous 20 years and might be better understood as a different, somewhat later, Golden Age. Perhaps the heart of the matter here, returning to a point raised in the introduction, is the elusiveness of the Golden Age itself.

Drawing "lessons" from history is never a straightforward matter. Historians elucidate the past as best they can, but rarely can say definitively why events unfolded as they did. Judgments on whether the past should serve as a guide for what to do in the present are nearly always contested. But with the history of public policy it seems appropriate to make observations about the past that are relevant to present-day policy issues, and to suggest what they might "teach" present-day policy makers.

31. Alan Redway, formerly an East York politician, commends Metro's principles and accomplishments in his 2014 book, and argues that full amalgamation, completed in 1998, has been harmful.

32. The author explores the decline of metropolitanism in White (2016, 342–58).

One particularly relevant observation is the widespread acceptance of public debt in the Golden Age, which indicates that the current concern over municipal debt is just that: a current concern. There is no sign of debt-related anxiety in the years covered by this study. Public-debt phobia is an important populist phenomenon, with complex causes, and ramifications of the phenomenon persist to this day. But it emerged later, in the mid to late 1970s, as a reaction not simply to the debt, which had peaked a decade earlier, but to the economic and political circumstances of the time.

Of course the Golden Age was a time of expansion, so future property-tax revenue was bound to be greater than present-day revenue, and this knowledge would have lessened fears. Another reason for the lack of concern about debt could be the absence of deleterious consequences of all the borrowing, which was managed effectively. The lesson here may be twofold. On one hand, heavy public debt need not be feared – it was done then, without any damage, so why not now? – and in fact is an essential piece of generationally equitable fiscal management. On the other hand, public-debt phobia came to life for reasons that are not fully understood and overcoming it might not be easy.

A related, lesson-rich observation pertains to property taxes, which rose steadily, year after year, through the years of this study. To recap – total annual property tax collected by the City of Toronto rose from just under $70 million in 1955 to just under $350 million in 1975. Applying the Bank of Canada's inflation factor for this 20-year span converts the 1975 figure to $165.85 million in "1955 dollars," meaning total property tax revenue, adjusted for inflation, rose at an average of nearly 5 percent per year, as did per-capita tax payments since population stayed fairly constant.[33] This trend is consistent with, and largely the result of, the mill rate's rising from 44.75 to 123.30 (141.34 for commercial property) over the 20-year period (the mill rate sets the proportion of an assessed property's value that its owner must remit to the municipality, so the rate itself is not directly tied to inflation).

As with public debt, there is no sign of significant public resistance to rising property taxes. Tax analyst Roger Smith, writing in 1990 about Canada more generally, offered some reasons for this acceptance. The main one is simply that property taxes were by this time well thought out and equitably applied (Smith 1990). Moreover, incomes were rising in these years, which made tax increases easier to accept.[34] But it surely would have been hard to miss the benefits of all

33. Metro's property tax revenue increased even faster – by nearly 10 times in constant dollars (see Table 8.1) or five times per capita (since its population roughly doubled) – but Metro was expanding its operations through this period so this increase is to be expected. In any case, it was not actually taxing residents but simply drawing tax revenue collected by the local municipalities. The City of Toronto, with its fairly constant population, provides a better measure of the increase in taxes.

34. The Royal Commission on Metropolitan Toronto found that residential property tax rates as a proportion of personal income actually declined in the early 1970s (Robarts 1977, 175–78).

this taxation, even for those who lived in the already-built city. Roads were being improved and expressways constructed, new wading pools and skating rinks were appearing in local parks, and a splendid, modern City Hall was rising at Queen and Bay streets. It was an age of modernization and improvement, for all to see. So the lesson may be that property taxes can be more easily raised when the benefits of the taxation are perceived by the taxpayers.

A third observation relates to regional equity. By imposing the metropolitan federation on the Toronto urban region in 1954, the Province of Ontario created a highly effective system for advancing social and economic equity. Left on their own, the 13 municipalities almost certainly would not have created the equalized education and social services or the extensive metropolitan infrastructure that Metro did, and the results undoubtedly would have been greater inequality and inefficiency.

Two lessons might be drawn here. One is that some sort of fiscal equalization is desirable. Metro was, and in some quarters still is, criticized for prioritizing metropolitan over local transportation needs, especially, as many city residents saw it, for wanting to build expressways into the central city. But there was much more to Metro than that, and rarely, if ever, is it criticized for its basic principles, which can be seen here playing a central role in creating the “city that works.” Metropolitan Toronto has been fully amalgamated into the single-tier City of Toronto, so opportunities for creating equitable city-wide social policies are greater than ever. But the broader region, which includes, as the original Metro did, fully developed urban areas and a rapidly growing suburban fringe, remains balkanized. Creating a regional government analogous to Metropolitan Toronto for the entire Greater Toronto Area (GTA) seems unlikely, and probably unnecessary considering the provincial takeover of most education and social services. But Metro’s success should remind present-day policy makers of the benefits of regional equity.

The second lesson to draw from Metro’s success is that authoritative, top-down action is sometimes necessary to achieve public good. The municipal federation of Metropolitan Toronto would never have been created if the affected municipalities had had the option of refusing it; Toronto City Council voted unanimously against it in 1953.

The final relevant observation, a more complex and multi-faceted one, pertains to the role of the Province of Ontario. One occasionally hears calls for greater provincial contributions to municipally funded services such as public housing and public transit, calls often buttressed with claims that the Province used to fund these services and should do so again – a not inaccurate though rather shortsighted view of the city’s history. Yet one also hears calls, in Toronto at least, for reforms that would allow the City to manage its own affairs, independent of provincial intervention. Clearly the two are not likely to occur together. This conundrum brings to mind a comment recently advanced by Côté and Fenn (2014, 54) that, given recent fundamental changes in Ontario’s political and economic circumstances, the Province needs to undertake a "fundamental rethink" of provincial-municipal relations.

If it is true, as these authors suggest, that "the past holds lessons for the future," what might those lessons be? The most directly relevant finding may be that the city's Golden Age coincided not with generous higher-level government funding but with the existence of a body that taxed and spent locally – on a metropolitan basis – according to its own priorities. Admittedly, "coinciding with" does not mean "was caused by," so the significance of this co-incidence does remain open to debate, but the facts do not. Provincial funding increased steadily over the years of this study, and in doing so relieved the municipality of certain financial obligations, but also burdened it with obligations and dependence. The fundamental lesson here might be that a big metropolitan city like Toronto works better when it pays for services with its own revenue than with funds from a government elected by a wider electorate.

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