

of industrial pensions starting in the 1940's. To this was added in 1927 an income conditioned pension at age 70. This program by 1950 supplied income benefits under restrictive eligibility rules to over 40 percent of Canadians over 70. A \$40-monthly universal transfer payment, or demogrant, at age 70 under the Old Age Security Act came in 1951. The Canada Pension Plan passed in 1965 added a second supplementary layer to the basic demogrant system of 1951.

A general acknowledgement of incompleteness in Canada's assumption of social responsibility provided a seedbed for the development of a new system. From the inception of the demogrant in 1951, there was frank recognition among legislators that the brand new program enacted was not the full answer to old-age security that some had thought. Dissatisfaction with existing private retirement arrangements was an important contributing factor in the development of a second layer compulsory contributory governmental program in Canada. The amount of benefit under the demogrant at age 70 and old-age assistance payable at 65 was placed at \$40 monthly in 1951. Both benefits were adjusted to \$55 in 1957 as a result of sharply rising living costs prior to this year when two general elections were held. The lack of relationship of these payments to an acceptable level of adequacy was always admitted and this remained a thorny issue. The policy was clearly stated that the Federal universal flat rate benefit at 70 was never intended to be more than a floor beneath private pensions and other means.

Strong pressures for change in the Canadian approach to social security also came from those who cared about the high cost of financing the pay-as-you-go demogrant program, by the 1960's climbing relentlessly toward a \$1-billion yearly cost. That pressure coincided with and was compounded by difficulties associated with national monetary problems. Total benefit payments under the Old Age Security Act in 1960 of \$575 million or approximately 1.6 percent of the GNP of \$36.3 billion. As a consequence of past reluctance to increase contributions for the demogrant, the payout (absorbed by periodic Federal subsidies) exceeded revenues in the program by 600 million for the years 1952 to 1959. Of more profound significance, in the directions to be taken in financing social security for the aged, was a pressing need for investment capital as a prerequisite for implementing development policies. A policy of encouraging private investments in conjunction with provision for old-age retirement was implemented in 1957 through a voluntary legislative savings measure under which income tax deductions for retirement savings were permitted. One of the announced aims was to make available to the corporate trustees or insurance companies concerned a reservoir of savings for productive investments. Nor was the potential of public pension fund investments unnoticed by governmental authorities. In an early (1963) version of the Canada Pension Plan, a proposed pay-as-you-go method of financing was attacked by Quebec's political leaders largely on the ground that an accumulation of reserves was essential for the development of that Province. In taking the unusual step of contracting out of the Canada Pension Plan and legislating its own Quebec Pension Plan, the Province intended to supply needed capital for economic development at interest rates commensurate with the risks taken.