

## X.—FINANCE.

The Finance section of the present edition of the Year Book is divided into four main parts. The first of these, Public Finance, includes an account of Dominion, Provincial and Municipal Finance, with the latest available statistics. The second part deals with Currency and Banking and Loan and Trust Companies. This is followed by a historical and statistical treatment of Insurance, including Government Annuities, and the section concludes with a treatment of Commercial Failures.

### I.—PUBLIC FINANCE.

The following treatment of public finance includes a discussion of Dominion, Provincial and Municipal Finance in Canada, with numerous tables, and closes with a brief discussion of the national wealth and national income of the Dominion as the basis of all public finance.

In recent years the subject of public finance has been more elaborately treated than formerly, in response to an increasing public demand, resulting from the growing pressure of taxation to meet the augmented expenditures of the national, provincial and local administrations. In the consideration of these growing expenditures two facts must be kept in mind:—(1) that our country is showing a relatively rapid growth of population—22 p.c. in the 10 years from 1911 to 1921, and (2) that \$1.50 in 1927 had approximately the same purchasing power as \$1 in 1913. Further, the effect of this latter fact in swelling the aggregated total income of the citizens of Canada so as to increase their tax-paying power should not be forgotten.

The great increase in Dominion expenditure since 1913 has, of course, been mainly due to the war and the burden of interest, pension charges, soldiers' civil re-establishment, etc., resulting from the war, as well as to the necessity of making good the deficits arising from the operation of the Canadian National Railways and the Canadian Government Merchant Marine. Similar increases have also taken place during the same period in provincial and municipal expenditure. In 1926 the total ordinary expenditure of the nine Provincial Governments was \$144,183,178, as compared with \$53,826,219 in 1916, only ten years before, an increase of 167.8 p.c. (The aggregate interest payments of Provincial Governments increased from \$7,817,844 in 1916 to \$37,366,925 in 1926). Again, between 1913 and 1926 the aggregate taxes imposed by the municipalities of Ontario increased from \$34,231,214 to \$102,146,200—an increase of 198.4 p.c. Similarly, in Quebec the aggregate ordinary expenditures of the municipalities increased from \$19,139,465 in 1914 to \$50,820,486 in 1926, an increase of 165.5 p.c. In Manitoba the increase in municipal taxation has been from \$9,922,537 in 1912 to \$17,543,487 in 1926, an increase of 76.8 p.c. These statistics, covering nearly two-thirds of the population of the Dominion, are from Provincial Government reports, and the increase which they show has doubtless also occurred in most of the other provinces.

#### 1.—Dominion Public Finance.

**Historical Sketch.**—Both under the French *régime* and in the earlier part of the British, the territorial or casual revenues of Canada, consisting of certain seigniorial dues and the proceeds of the sale of government timber and land, were reserved to the Crown, while the right of levying taxes and of regulating the trade and commerce of the colony was, after 1763, deemed to be vested in the British Parliament.

By the Quebec Act of 1774, certain duties on spirits and molasses were imposed, to be expended by the Crown in order to provide a revenue "towards defraying the expenses of the administration of justice and the support of the civil government of the province" A little later, in 1778, the British Government, by the Declaratory