

2.—Provincial Public Finance.

Provincial Governments in Canada are in the position, under section 118 of the British North America Act, 1867 (30 and 31 Vict., c. 3), and the British North America Act, 1907 (7 Edw. VII, c. 11), of having a considerable assured income in subsidies from the Dominion Treasury. Details of these payments are given for recent years in Tables 17 and 18 of this section. In addition, through their retention of ownership of their lands, minerals and other natural resources, the provinces which by the voluntary action of their previously existing governments entered Confederation, raise considerable revenues through land sales, sales of timber, mining royalties, leases of water powers, etc., while the Prairie Provinces receive from the Dominion special grants in lieu of land revenues. Further, under section 92 of the British North America Act, Provincial Legislatures are given authority to impose direct taxation within the province for provincial purposes and to borrow money on the sole credit of the province.

While the *laissez faire* school of political thought was predominant throughout the country, provincial receipts and expenditures were generally very moderate, as may be seen both for individual provinces and for the provinces collectively from Table 24. From the commencement of the twentieth century, however, the Canadian public, more especially in Ontario and the West, began to demand increased services from the government, particularly in respect of education, sanitation, and public ownership and operation of public utilities. The performance of these functions necessitated increased revenues, which had in the main to be raised by taxation. Among the chief methods of taxation to be employed has been the taxation of corporations and estates, succession duties showing a considerably increased yield even within the comparatively short period of ten years from 1916 to 1926 covered by the statements compiled by the Finance Branch of the Bureau of Statistics,¹ and published in part as Tables 25 and 27. Prominent among the objects of increased expenditure in this same period are education, public buildings, public works and enterprises, and charities, hospitals and corrections. The fact that provincial government is cheaper per head in the *laissez faire* eastern provinces is evident from Table 29, which gives the per capita ordinary revenue and expenditure for various fiscal years from 1881 to 1926. This, however, is not to be taken as evidence that the larger services rendered to the public in the western provinces are not worth what is being paid for them.

For the half-century subsequent to Confederation, the provincial accounts, published by each government according to its own system of accounting, were quite incomparable as among the provinces, a fact much regretted by students of provincial public finance. Upon the creation of the Dominion Bureau of Statistics in 1918, its Finance Branch undertook the work of placing the various provincial public accounts on a comparable basis, correlating, for example, the revenues derived from succession duties, taxation of corporations, sales of public lands, royalties on forest, mineral and fisheries products, as well as the expenditures on such services as agriculture, civil government, education and public works. As the result of the Bureau's exhaustive analysis of the provincial public accounts, a summary statement of the ordinary receipts and expenditures of the Provincial Governments appeared for the first time in the 1919 Year Book. In the present issue an analysis is given of the provincial public accounts for the five fiscal years ended from 1922 to 1926. In it the various items of receipts and expenditures have

¹ The succession duties collected by the provinces in 1926 amounted in the aggregate to \$13,446,519, as compared with \$1,020,972 as recently as 1904, or a 13-fold increase in 22 years. The aggregate revenue raised by taxation of corporations, etc., increased from \$7,217,548 in 1916 to \$30,956,134 in 1926—a four-fold increase in 10 years. For the details for the years 1916 to 1920, see pp. 680 and 684 of the 1921 Year Book.