

CHAPTER XXI.—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 1929 had approximately the same purchasing power as \$1 in 1913. Furthermore, since most of our citizens are producers, the effect of this latter fact in swelling the aggregated total money income of the citizens of Canada so as to increase their tax-paying power should not be forgotten. In addition, there is an evident increase in the functions of government.

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. Similar increases have also taken place during the same period in provincial and municipal expenditures. Thus in their fiscal years ended 1928 the total ordinary expenditure of the nine Provincial Governments was \$165,538,910, as compared with \$53,826,219 in 1916, only 12 years before, an increase of no less than 207.5 p.c. (The aggregate interest payments of Provincial Governments rose from \$7,817,844 in 1916 to \$39,427,633 in 1928.) Again, between 1913 and 1928 the aggregate taxes imposed by the municipalities of Ontario increased from \$34,231,214 to \$110,811,025—an increase of 223.7 p.c. In Quebec the ordinary receipts of municipalities other than counties increased from \$20,319,277 in 1914 to \$57,504,035 in 1928, an increase of 183 p.c. In Manitoba the increase in municipal taxation has been from \$9,922,537 in 1912 to \$17,907,723 in 1928, an increase of 80.5 p.c. In Saskatchewan the grand total of municipal tax levies was \$7,811,328 in 1914 and \$27,944,725 in 1928. In Alberta the municipal taxes levied amounted to \$9,791,846 in 1914 and to \$11,922,319 in 1928. In British Columbia the taxes collected by the municipalities totalled \$8,698,820 in 1914 and \$15,928,562 in 1928. Finally, in the extreme East the aggregate tax receipts of the municipalities of Nova Scotia were \$6,345,971 in 1928, as compared with \$3,254,094 as recently as 1919, an increase of 95 p.c. in the last nine years. The seven provinces covered by these statistics contained in 1921 approximately 94 p.c. of the population of the Dominion.

Section 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 seigneurial 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 Act (18 Geo. III, c. 12), renounced forever the right of taxing the colonies to provide