

CHAPTER XXI.—PUBLIC FINANCE.

The following treatment of public finance includes an outline of Dominion, provincial and municipal finance in Canada, supported by the necessary detailed statistics, and closes with a brief discussion of the national wealth and national income of the Dominion as the basis of all public finance.

The great increase in Dominion expenditure since 1913 has, of course, been mainly due to the Great 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 1934, the total ordinary expenditure of the nine Provincial Governments was \$217,701,776 as compared with \$53,826,219 in 1916, only 18 years before—an increase of almost 304 p.c. (The aggregate interest payments of Provincial Governments rose from \$7,817,844 in 1916 to \$67,184,943 in 1934.) Again, in recent years, between 1924 and 1933, the aggregate tax receipts of the municipalities of Ontario have increased from \$94,526,271 to \$116,920,000 (comparable figures are not available for earlier years)—an increase of nearly 24 p.c. In Quebec the ordinary receipts of municipalities increased from \$33,288,115 in 1915 to \$79,471,242 in 1933—an increase of 139 p.c. While taxation receipts in the Prairie Provinces and the Maritime Provinces, for those years for which comparable figures are available (see Table 26, pp. 858-859), do not show an upward trend, except in the case of Nova Scotia, it must be pointed out that the figures cover relatively recent years in the majority of cases, and in the Prairie Provinces a larger proportion of tax levies has remained uncollected. In British Columbia the taxes collected by the municipalities totalled \$9,382,099 in 1917 and \$17,521,554 in 1933.

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 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 Act (18 Geo. III, c. 12), renounced forever the right of taxing the colonies to provide Imperial revenue, but maintained its claim to impose duties considered necessary for the regulation of trade, the proceeds to go towards defraying the expenditures of the colonial administration. After the Constitutional Act of 1791, the customs duties remained under the control of the Imperial Government, their revenue, as well as the territorial revenue above mentioned, coming in to the Executive Administration independently of the Legislative Assembly and thus making the Executive power largely independent of the Legislature. In case these revenues proved insufficient, recourse could generally be had to the grant made by the Imperial Government for the support of the army. As time went on, however, the Crown

* This section has been revised under the direction of Dr. W. C. Clark, Deputy Minister, Department of Finance, with the exception of those parts dealing with war tax revenue and inland revenue on pp. 836 to 842, which were revised by the Department of National Revenue.