

(2) **Assistance to Primary Industries (e.g., Agriculture).**—In this regard the Commission states that when relief is on a small scale, responsibility can be borne without difficulty by a province. But in the event of widespread disaster with which the province is unable to cope without assistance from the Dominion, or in the event that the Dominion has already established effective control of the industry, the Commission recommends that the Dominion should assume direct administration and financial responsibility rather than render indirect assistance in the form of advances to the provinces so affected.

(3) **The Payment of Non-Contributory Old Age Pensions.**—In this matter it is pointed out that the Dominion Government is already paying as high a proportion of their cost as it can reasonably be expected to pay without assuming control of the administration. The Commission is convinced that it is more satisfactory for the provinces to continue to administer non-contributory old age pensions and, therefore, does not recommend any further financial help to the provinces in this connection. If non-contributory old age pensions were to be superseded or supplemented by a contributory system, the Commission feels that the whole should, for various reasons, be under the control of the Dominion.

The Financial Proposals of the Report.

The financial proposals, made by the Commission on the basis of a comprehensive study of the comparative statistics of all governments (see Appendix VI), are designed to enable the Dominion and Provincial Governments to carry out their responsibilities under the new distribution of powers recommended. They thus form the basis of a structure that will, in the opinion of the Commission, characterize a healthy Federal system in Canada in terms of the economic life of 1939. The broad question of financial adjustments is dealt with under the following heads.

(A) **Provincial Debts.**—This is an important financial burden of which the Provincial Governments can be relieved without any sacrifice of autonomy. The burden taken up by the Dominion, if it were to assume the dead-weight costs of the provincial debt services, would, it is held, be less than the burdens of which the provinces were relieved because, as maturities occurred, the debts could be refunded more advantageously by the Dominion than by the provinces. The Commission has, therefore, recommended that the Dominion should assume all provincial debts (both direct and guaranteed) and that each province should pay over to the Dominion an annual sum equal to the interest that it now receives from its investments. The reason for this proviso is that it would not be expedient for the Dominion to take over liabilities for a debt that represents a self-liquidating investment retained by the province. Conditions concerning future provincial borrowers are laid down in detail in the Report.

In the case of the Province of Quebec the recommendation with regard to debt service carries an important modification. The per capita debt of this Province is low in comparison with that of other provinces, and is an unusually low fraction of the combined municipal and provincial debt of the province, due to the policy of imposing on municipalities onerous functions that are performed elsewhere by Provincial Governments. The Commission, therefore, recommends that the Dominion take over the larger of either the provincial net debt service or 40 p.c. of the combined provincial and municipal net debt service.

(B) **Provincial Subsidies.**—If, in accordance with the above recommendation, the provinces are relieved of the burden of their debt, it is felt that they should surrender to the Dominion the cash subsidies they now receive from the