

of the naval, military or air forces of the United Kingdom.

The benefits of the Canadian Pension Act shall apply to such persons if they suffer disability or death in respect of which a gratuity or pension is awarded under the laws or regulations of the United Kingdom, provided that the benefits shall be paid to persons who are residents of Canada, and only during the continuance of their residence therein.

The object of this was to provide for pension at the Canadian scale to bona fide Canadians who since the outbreak of war have joined the Imperial forces or been transferred thereto, and who return to live in Canada, or whose dependents, in the case of death, reside in Canada.

The large number of Canadians who have entered the service of the Royal Air Force and of the Royal Navy are, of course, the chief persons affected.

Under Order-in-Council P. C. 3359, dated the 10th of November, 1939, the Commission also now has the responsibility of adjudicating on claims "for the payment of pensions to such persons employed in ships of Canadian registry or licence and such Canadian salt-water fishermen as, in the pursuit of their

callings, suffer disability or death as a result of enemy warlike action or counter-action taken against the same." An instance of this was the sinking of the S.S. "St. Malo," with a loss of twenty-seven lives. Under Order-in-Council P.C. 32/1391, dated the 10th of April, 1940, the Commission adjudicates on claims in respect of disability or death incurred by Special Constable Guards employed by the Royal Canadian Mounted Police in guarding vulnerable points in Canada.

In conclusion, let it be repeated: satisfactory pensioning depends upon public realization of the principles underlying pensions, and upon efficient application of those principles. Essential to efficient administration are unhampered control by a central office and the maintenance of close personal touch with each individual pensioner by branch offices.

The work of pension administration cannot be definitely and finally charted; each day brings a pensioning body new troubles, new problems to be solved. War pensions must be governed by general principles, which must be applied by a sympathetic body, one which keeps in mind both the interests of the state and those of the disabled ex-soldier.

The Sirois Report Before the Ottawa Conference

By H. D. Woods

FOLLOWING the publication of the report of the Royal Commission on Dominion-Provincial Relations, and particularly since the recent abortive attempt at implementation at Ottawa, the controversy in the country has been widespread, being overshadowed only by the incessant bickering over the extent of the war effort. Any attempt to survey even a small part of the published con-

troversy would involve a research project of impossible magnitude. Yet it is possible, by careful selection and sifting, to establish an intelligible pattern of disagreement over this important issue of Dominion-Provincial relations.

STATEMENTS OF DOMINION CABINET MINISTERS

A good starting point is the published report of the two plenary sessions of the ill-fated conference at Ottawa on January fourteenth and fifteenth. The Dominion

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prime minister opened the deliberations of the first session by declaring it to be the government's considered view that adoption of the recommendations was essential if the country was to be placed in a position to achieve the maximum war effort, and to lay the foundations for post-war reconstruction. The crux of the problem for the government was the strained financial relationship between the Dominion and Provincial governments. The difficulty was not new, in fact had been so serious in 1937 as to warrant the appointment of the commission. Mr. King stated that although implementation was desired in order to facilitate the war effort, by introducing improved methods of public finance which would eliminate the competition for revenues between provinces and dominion and ensure an equitable sharing of the burden of the war, action would have been required even in peace time. However, the Dominion Government had no desire to force the issue and were willing to negotiate with the report as a basis, with partial implementation as a second-best to full acceptance.

The essential recommendations of the report which dealt with the problem outlined were stated by the Prime Minister as being, first: the assumption by the dominion of the whole of the net debt of the provinces. This was designed to remove the burden of debt from those who, for various reasons, such as loss of population, loss of markets, calamity of drought and pestilence, or over-optimistic expansion, were without the capacity to bear the load. A second advantage would be the strengthening of public and private credit by removing the danger of provincial default. Associated with this advantage would be an easing of the tax burden, since debt servicing would be at lower rates whenever issues transferred from province to dominion were refunded.

The second recommendation favored by the Dominion Government would transfer the responsibility for unemployed employables from the municipalities and provinces to the dominion. This, Mr.

King thought a logical outcome from the past which would prevent a repetition of the confusion, inefficiency, delay, and inequalities of the existing system of administration which involves heavy strain on municipalities and on provincial credit.

The relinquishing by the provinces of the right to personal and corporate income tax and to succession duties was the third recommendation sponsored by the dominion. Exclusive right in these fields, as recommended by the commission, was considered necessary by the dominion financial authorities and advisers if Ottawa was to be able to meet its growing obligations efficiently and assume the additional burdens to be transferred from the provinces. To support this claim the prime minister argued that a large tax-gatherer is axiomatically the most efficient, and that a situation of decided inequality, double and even treble taxation would be eliminated.

The fourth recommendation providing for the abolition of the present system of subsidies and the establishing of national adjustment grants by the dominion to the provinces in lieu of the former subsidies was also supported by Ottawa.

The Prime Minister then attempted to reassure the delegates from the provinces by suggesting that the proposals were for reform and did not involve a rewriting of basic constitutional principles; that the recommendations, far from increasing centralization of governmental power, were calculated to guarantee provincial autonomy by eliminating overlapping jurisdiction and making clear definition of function, and particularly by guaranteeing provincial solvency; that provinces were not asked to give up any exclusive right; and that principles of democratic government would be strengthened and ensured by clearing up the muddled situation in administration.

On the second day of the conference, after the possibility of reaching any agreement upon which to base further discussion seemed rather limited, Mr. Ilsley, the Dominion Minister of Finance,

addressed the delegates at some length. He supported the dominion's case as presented by the prime minister with figures indicating the magnitude of the task of financing the war; suggested that the delegates and public failed to realize that a "business as usual" war effort was out of the question, and reminded the conference of a billion-dollar war budget for the year, and aid to Britain to the extent of \$300,000,000 in repatriating securities. Four points were mentioned by Mr. Ilsley as justifying the adoption of Part I of the report, or some better alternative. These were the provision for a fair distribution of the tax burden, the avoidance of adverse effect on Canadian credit and war financing, the establishment and maintenance of minimum national standards of social services, and preparation for meeting the problems of the post-war period. Thus, it will be observed that Mr. Ilsley was fortifying the case presented by Mr. King, rather than adding any new points.

From the addresses of these leading ministers, the prime minister and the minister of finance, it becomes apparent that the attitude of the Dominion Government was favorable to the adoption of the report along the lines of the major recommendations, or on any compromise lines which would achieve similar or partial results. In fact there is the evidence of Mr. Ilsley's address to indicate that the department of finance was urging the adoption of the report as a means of solving the perplexing and pressing problem of war finance. There seems to be no doubt also that the government is in substantial agreement with the report and would wish its adoption aside from the war problem.

ONTARIO'S ATTITUDE

The first province to present a case was Ontario, represented by Premier Hepburn. Ontario opposed not only the report but also the calling of the conference. The opposition was based on several points, ranging all the way from objection to the personnel of the commission to charges of abuse of patriotism to cloak a "nefarious"

scheme to enrich the holders of bonds of distressed provinces. On this point the *Toronto Star* was quoted. Mr. Hepburn urged against raising the general issue of the report during war-time with the possibility of impairing national unity and thereby injuring the war effort. Here it was suggested that the "purely financial press" had overplayed its hand. The *Toronto Telegram* had warned against preferred treatment for Quebec under the adjustment grants, and Mr. Hepburn's remarks on the point leave little doubt that the religious and race questions might easily become serious issues. The Ontario premier criticized the commission on the grounds that his province had not been consulted regarding the terms of reference contained in the order-in-council creating the commission. Nor had the government added an Ontario representative after the withdrawal, because of ill-health of Mr. Rowell. The continued use of the name Rowell was referred to as a deliberate attempt at propaganda. From there the general trend of remarks moved to a criticism not so much of the commission and the conference as of the Ottawa government because of its war effort and because of its failure to reabsorb the unemployed. Much was made of Ontario's cooperation with the dominion regarding the income tax and its war contributions generally.

The Ontario case was further elaborated by Mr. McQuesten, who endeavored to show that implementation of the financial recommendations of the commission would work great hardships on that province. Provincial autonomy must be based on adequate revenue with which to discharge provincial functions. Adoption of the report would deprive Ontario of certain revenues while leaving behind the most costly of the services to be performed. The province, since the present government came into power in Toronto, had been able to balance budgets and even a reduction in debt seemed probable. As a result the province had been able to come to the aid of the nine hundred municipal authorities. The province had, for example, assumed the entire capital

cost of highway construction; it had made great strides in public health aid; it had relieved the municipalities of all contributions for old-age pensions and mothers' allowances. The cost of these services and of education would increase for another fifty years. The figures of the commission report, which purported to show a net saving to Ontario, were criticized and alternative figures, which suggested a serious net loss following implementation, were presented. These losses would bear heavily on education, particularly the University of Toronto, and on public health and the municipalities. Time would aggravate the difficulty because of the expansion of social services. The people on Ontario in the lower scales would be reduced to a condition of "servile dependency." Mr. McQuesten announced Ontario's withdrawal from the conference.

The province of Quebec was in that group willing to negotiate but on a limited basis. Mr. Godbout's statements were therefore limited to a few general principles. National unity was stressed, and particular emphasis was placed on the war problems. He disagreed with the plan of tying up war finance with a general reform of Canadian federation. ". . . I think we should meet a special situation with emergency measures, and I do not think we should condition the permanent future of Canada on the war situation now prevailing." Quebec's willingness to work to some solution is illustrated by the premier's reference to the "week or these weeks" of work ahead for the conference. In his second address Mr. Godbout appeared a little less compromising. He insisted that nothing must be done to jeopardize provincial autonomy and provincial rights.

PRINCE EDWARD ISLAND

Prince Edward Island, although expressing through its premier a more or less common stand with the other maritime provinces, was considerably more ready to accept the general plan of the report than were Nova Scotia and New Brunswick. Premier Thane Campbell

attempted to dispel the fears expressed by others of increased centralization, but himself raised objection to the menace of bureaucracy at Ottawa. This menace had become greater with the increased regimentation associated with the war effort, and provincial economic policies were being frustrated at times by the action of Ottawa departments. He advocated as a partial solution annual dominion-provincial conferences, and although he did not support the New Brunswick proposal for a department of the Dominion Government to handle dominion-provincial relationships, yet he suggested some agency, such as a committee of the government, which would act to protect the provinces from the bureaucracy and departmentalism of the federal government services.

Mr. Campbell then took issue with specific objections to the adoption of the report which had been raised by other provincial representatives. He had come to recognize the need for the Dominion Government taking over the income tax if satisfactory administration were to be effected. On the question of implementation during war-time the premier favored this course rather than temporary expedients, because of the dislocations which might follow from the latter. He strongly supported the idea of a finance commission to control provincial borrowing, but advocated that the provinces be permitted to borrow on general permission rather than application for each specific expenditure. In general, Prince Edward Island was favorable.

NOVA SCOTIA AND NEW BRUNSWICK

The Nova Scotia premier, Mr. MacMillan, adopted an attitude which might be described as respectful opposition with the door left open for negotiation. Nova Scotia would have to answer "No" to a categorical statement on the whole report, but Mr. MacMillan preferred to look upon the report not as a plan to be either accepted or rejected, but rather as a basis of discussion. The difficulties of the province within confederation

were restated in brief form, and emphasis was placed on the severity of the social problem for a province which, like Nova Scotia, was suffering from loss of population and the associated disturbance of the ratios in specific age groups. There is no doubt that Nova Scotia intended to stay with the conference and discuss the report.

Mr. McNair for New Brunswick was also open to conviction on parts of the report. He withheld judgment on the financial recommendations which he believed to be the crux of the matter, but specifically disagreed with the findings of the commission on New Brunswick's special claims, and put it on record that the province participated in the conference with that reservation clearly understood. Otherwise New Brunswick was agreeable to doing business.

SUPPORT FROM MANITOBA

The strongest support for the report came from Premier Bracken of Manitoba. The argument was to a considerable extent a repetition of the case presented by the Dominion Government. Implementation was justified as a "peace-time necessity and as one of the most important steps that we can take to strengthen our nation's war effort." Economic data to support the position was furnished and was of a similar character to that contained in the first volume of the report. Implementation would fulfil the intentions of the Fathers of Confederation to build a political nation and an economic unit. By adjusting provincial functions to provincial finances it would enhance provincial autonomy. Manitoba supported the idea of a national finance commission to supervise provincial borrowing on dominion credit. The report must be implemented for Manitoba because the war had only served to aggravate serious dislocations due to excessive wheat carry-overs. Much was made by Mr. Bracken of the problem of taxation; and a closely reasoned argument, supported by liberal quotations from the commission report, was adduced to show the effect of the present tax structure on

wealth and income of the various classes in the country. It was argued that the dominion was forced to rely pretty much on indirect taxation, and that form was regressive, and therefore bore with undue severity on the poorer classes and on unprotected producers. It was urged that such progressive taxes as the income tax should be turned over to the dominion. Mr. Bracken also developed the idea that the structure of the Canadian economy had been partly determined by deliberate national policy and that accumulation of wealth and income in certain provinces had resulted. These escaped much taxation because the dominion had restrained itself in the use of such taxation as seemed to be invading provincial fields.

The probable consequences of non-implementation were outlined by the Manitoba premier. The increased burden of the war would drive the Dominion Government much further into the fields of direct taxation, thereby drying up provincial revenue from income, corporation and inheritance taxes, and forcing the provinces to default. The attendant shock to Canadian credit might imperil Canadian victory.

SASKATCHEWAN

Saskatchewan was equally anxious to have the major recommendations adopted. A considerable portion of Premier Patterson's argument was along the lines laid down by Premier Bracken and Premier Campbell. Comment was made on the problems of operating a federal system and of the growing difficulty of defining the functions of each government in a modern federated state. On the question of centralization, Saskatchewan, although jealous of provincial autonomy, was convinced that implementation would do no harm. The general principles of the financial recommendations were approved, but Saskatchewan could not agree to the commission's findings on transportation. The reasons for this latter attitude were not elaborated. Mr. Patterson then briefly outlined the peculiar difficulties of Saskatchewan, difficulties associated largely with de-

pendence on one industry and one crop, resulting in a "haphazard" economy. Saskatchewan was on the side of the yeas.

MR. ABERHART'S INTEREST

Mr. Aberhart for Alberta struck a somewhat independent note when he said that he was convinced "that confederation was not, and is not, responsible for the devastating economic problems we face to-day . . . a new, organized economic and financial system must be set up." He then suggested that under the War Measures Act the federal government had all the powers necessary to carry on the war effort. The problem of debts could be left until after the war, when they would be better understood than at present. Alberta feared the imposition of the will of Ottawa on the provinces at this time. It would be most unfortunate if the idea became general that "there is a concerted and deliberate attempt being made by the money powers to increase centralized control of our national life while our attention is fully occupied with the prosecution of our war effort, and that thereby there is developing an endeavor to obtain an unfair advantage over the people by means of imposing upon them a crushing debt structure under which they will be further enslaved." Mr. Aberhart used such terms as "financial dictatorship" and "fascist state" and referred to the "barrage of inspired propaganda." The argument might be summed up briefly in the premier's own statement, ". . . our present system of finance is doomed. It cannot be bolstered up, no matter what they do." Alberta, like Ontario and British Columbia, finally refused to negotiate on the basis of the report.

BRITISH COLUMBIA

Premier Pattullo for British Columbia objected to implementation on grounds which placed him in opposition not only to the specific recommendations of the report, but to the aims which were meant to be achieved. For example, he opposed

the idea of a general Canadian average. Like the commission, he recognized five economic regions, and he saw no advantage in bringing them to a "common level." "British Columbia . . . does not want to be pushed down either to the bottom or halfway, there to turn the treadmill of mediocrity in perpetuity." Plan I of the report would weaken the provinces by increasing centralization by direct transfer of functions and revenue to Ottawa, and by increasing Ottawa's supervision over functions left with the provinces. The plan would interfere with developmental programs and aggravate disharmony between provinces and dominion.

EVALUATION

In addition to the official attitudes of the dominion and the provinces, there has been much controversy in the country, but little could be gained for the present purpose in any further survey of the pros and cons. In general the report met a favorable press, and some papers, such as the *Winnipeg Free Press*, were strongly advocating implementation. There were a few like the *Toronto Telegram* which were equally hostile. Little was added in the public discussion to the reasoning which emerged in the Ottawa conference. On another plane, implementation met opposition in a review¹ by Dr. H. A. Innis of the University of Toronto. This exhaustive and penetrating analysis of the report cannot be reduced to a few brief statements. It is strongly recommended to all careful students of the problem.

Generalizing, the report was supported by the Dominion Government on the two grounds of peace-time necessity and as an aid to the war effort. Behind the prime minister stood the minister and deputy-minister of finance wrestling with the problem of war finance. The report was supported by the little province of Prince Edward Island and the more depressed area of the west—Saskatchewan and Manitoba. Three provinces—Ontario,

(1) *The Canadian Journal of Economics and Political Science*. Vol. 6, Number 4, November, 1940.

Alberta and British Columbia—each for its own reasons, opposed and refused to negotiate. The other three—Nova Scotia, New Brunswick and Quebec—expressed reserved willingness to negotiate, using the report as the basis of discussion.

Any attempt to evaluate the report and the different points of view is rendered difficult by the dual purpose which is implicit in the proposals. The short run problem of war financing was combined by those favorable to the implementation with the long-run question of dominion-provincial finances. Much that has been said can be explained as opportunistic short-run politics. Little is to be gained in remorseful regrets that politicians have played their usual game. Yet the problems with which the commission attempted to deal remain, and careful reading of the report and of the controversy serves to bring to light some fundamental issues upon which the Canadian cleavage may grow. The elements of national unification provided by trans-continental railways and tariffs may not be a lasting guarantee that the dis-integrating influences of geography will not assert themselves. Behind the

controversy over the report looms the spectre of the Siegfried thesis of east-west versus north-south axes. It is a paradox of large modern federations that they operate efficiently, although not necessarily with equity, when they are built around a dominating nucleus interested in exploiting the economic possibilities of the remaining hinterlands. A Canadian federation has been associated with the expansion of the St. Lawrence-Great Lakes economy into the west with railways, wheat and financial institutions, and into the maritimes in search of markets for the growing industrialism of Ontario and Quebec. The difficulties of wheat and the growth of alternative hinterlands in the mining, power, and paper of the pre-Cambrian shield have reduced the importance of the national government and enhanced the position of certain provincial governments as developmental agencies. British Columbia finds it difficult to integrate her economic life with the distant economy of the east, and Alberta is true to the frontier in seeking a monetary solution. The dominating region of the St. Lawrence may be losing interest in domination.

Official Costs of Canadian Elections

By JAMES R. POLLOCK

THE administration of popular elections continues to be an important part of the democratic process. Occasional consultations with the people are necessary to determine the scope and direction of public policy. It follows, therefore, that the management of public elections must be honestly and efficiently conducted if the popular will is to be accurately

and promptly translated into government action.

Unfortunately, however, election administration has been one of the most neglected fields of public administration. Few studies of the problem have been made, and little public or official attention has been given to improving the machinery through which the voters record their decisions.¹

EDITOR'S NOTE: Dr. James R. Pollock is Professor of Political Science at the University of Michigan. He is author of various books and many articles on the administrative problems involved in elections, and of several books on Nazi Germany.

The drawing on the cover illustrating some features of Table 2 is by Professor A. S. Mowat of Dalhousie University.

(1: See Joseph P. Harris, *Election Administration in the United States* (Washington, 1934); James K. Pollock, *German Election Administration* (New York, 1934); and James K. Pollock, *Election Administration in Michigan*, Supplement to the *National Municipal Review*, Vol. 23, No. 6, June, 1934.