

He would make sure that there were real evidences of the necessity in any particular place for such housing. He would see to it that, wherever such projects were to be carried out, the areas would be adequately planned and suitably located to safeguard the investment and ensure its continued value. Finally, he would see that care had been taken to *ensure* that the design of the houses and their construction and the purchase or lease of the land had been as economical as possible. The whole thing would be carried out as an important function of the Dominion authorities. They would receive from Provincial Governments and Municipalities plans for the building of low rental housing. They would decide what assistance should be granted. They would give advice to those who sought it. They would keep all records and statistics. And they would constitute a centre from which accurate information concerning all plans of housing would be disseminated throughout the Dominion.

Finally some more general aspects of the housing problem may be considered.

Better housing means better national health through better national living conditions. It is social progress in its most virile and most comprehensively beneficial form.

By stimulating the building of low rental houses a strong stimulus would be given to the building of homes without, however, helping competition *against* the private builder, and in this way far more building would be encouraged than would be possible by subsidies.

We have also to think of all the employment that would be created by such large scale building projects—far more employment than could be created by public works however large in their scale. The building of low rental houses as suggested here would be an important part of that larger housing problem which the Federal Government is so admirably tackling through the Home Improvement Plan under the Dominion Housing Act.

---

## The Financial Position of the Maritime Governments

BY "ECONOMIST"

---

IT is customary to group the three Maritime Provinces when their economic or financial position is being considered. But this method must not be allowed to hide the fact that each Province has problems of its own. Prince Edward Island, with its dependence on agriculture, has had to face questions since 1929 rather like those that confronted the Prairie Provinces. The "potato" counties of New Brunswick and Nova Scotia have suffered in the same way as the Island, while the "timber" counties have met the same difficulties as parts of Quebec and Ontario. In Nova Scotia, the mining and industrial counties have faced the same questions as the manu-

facturing areas of central Canada. Accordingly, each of the three Maritime governments has had to attend to the development and maintenance of its own particular distribution of resources, and this was true even before the war, although the effects of the recent depression have served to emphasize the different problems that confront each of the three Provinces when they try to increase the use of their own set of resources.

### Dominion Subsidies to the Maritimes

The basis of Dominion grants to the Provinces was laid down in 1867, but modifications were made from time to



time. While each government has made claims of its own over the last seventy years, the case for the Maritimes as a whole has rested on three grounds. For the good government of any federation, certain principles have to be observed, but three in particular: (1) the principle of territorial integrity for each Province; (2) the principle of equal political power between Provinces; (3) the principle of equality of economic status. At one time or another, the Maritimes have complained about the breach of all these principles in the Canadian federation. With respect to the first, it is true that the Maritimes never have had reason to complain about interference with their own boundaries, but they have pointed out frequently that the creation of new Provinces in the west, and the enlargement of the boundaries of Ontario and Quebec, served to increase the potential wealth of all these Provinces. Since the accumulations of wealth that have been made in Canada have largely depended on the development of frontiers, and since the Maritimes alone of all the Provinces were limited in area, they were denied the opportunity of such increments of wealth. With respect to the second principle (equal political power), the Maritimes had reason to complain before the war that their loss of population involved a loss of representation, and therefore of power, in the federal parliament. With respect to the third principle (equal economic status between Provinces), the Maritimes were able to show quite early that their limited area and resources, and the federal policy of protection, immigration and opening of the west, were not promoting a rate of progress in the Maritimes equivalent to that present everywhere else in Canada. Instead, the Maritimes lost population, and had to adjust their provincial economies to greater agricultural and industrial imports from other parts of Canada. This process of readjustment was especially severe after the war, and particularly in New Brunswick and in Nova Scotia where there was some evidence of economic retardation. The Duncan Commission in 1926 took most

of these circumstances into account when it recommended higher Dominion subsidies to the three Maritime Provinces and suggested some remedial policies that might be followed by the Dominion government to aid certain Maritime trades. The White Commission in 1934 recommended additional Dominion subsidies. As a result, Dominion subsidies form a fairly high proportion of Maritime revenues. In 1936, Prince Edward Island received about 42% of its revenue from the subsidy, New Brunswick about 23%, and Nova Scotia about 20%, whereas the Canadian Provinces as a whole got only about 8% of their revenue from subsidies. (Of course, in the last few years, the four Western Provinces received Dominion assistance for relief payments, which if included with the subsidy, would greatly increase their share of Dominion help. But theoretically, these relief payments are to be distinguished from the subsidy.)

#### Maritime Expenditures

The expenditures (and revenues) of the Maritime governments are greatly conditioned by the economic difficulties that have been especially evident since the war period. The lack of resources, the loss of able populations, and the burden of national policies have all combined to produce effects which have had time to sink into the Maritime economy, to curtail expectations as to the future, and to induce labour and capital to flow away, rather than to, these Provinces. This has affected government expenditures in three ways: (1) The Maritime Provinces have been compelled, especially in the last ten years, to provide relatively more investment in capital equipment than have other Provinces. They have been spending a higher proportion of their revenues (and debts) on roads, hydro-electric development, etc. than have other Provinces. (2) The Maritimes are being induced also to give considerable attention to industrial betterment, to the aiding of agriculture, to the more orderly working of their forest resources, to assistance to fisheries, mining development, etc. (3) At the same time, in



common with other provinces (in which economic difficulty has been less prolonged and less deep-seated, and in which therefore less attention has had to be given to (1) and (2) above), the Maritimes have had also to enlarge their welfare services, to try to ameliorate the effects of economic retardation in some areas, and to try to maintain standards of health, pensions, and education that are as nearly as possible equivalent to those given by other Provinces. Accordingly, the expenditure needs of the Maritimes tend to be greater than those of other Provincial governments.

The full significance of the expenditure needs in this region can hardly be overstressed. In some parts of the Maritimes, physical exhaustion of resources is evident (i.e. in some forest, and in some mining localities), and the maintenance of these regions is costly, even if the Provinces concerned adopt remedial policies of additional education, and aids to labour transference, in order to increase the mobility of the people in the distressed areas. Again, in other portions which are not exhausted but are economically weak, the governments may have to pursue development policies to encourage rural households and firms to utilize fully the capital equipment laid down in new roads, rural electrification, and public works. These needs put strain, not only on the budget, but also on the debt situation, and tend to delay the growth of certain welfare services that are necessary, especially in rural medical work, and in education. The Maritimes, unlike all other provinces, can have little hope of some future frontier development that will increase productivity, and for that reason their expenditure needs, to maintain development and to offset the social effects of certain economic difficulties, may prove fairly insistent.

### Maritime Revenues

It has been shown that the Dominion subsidy now forms a larger share of Maritime revenues than it does of other Provincial revenues. With respect to the revenues raised by the Provinces themselves, the Maritimes get about 40% of

the revenue from taxes, over 20% from licenses and fees, about 10% from trading profits, mainly from Liquor Commission (Prince Edward Island gets only 2%), and about 8% from natural resources (which are absent in Prince Edward Island). They get less from taxes than do other Provinces, both New Brunswick and Nova Scotia having neglected to use the income tax that is now almost universal among other Provinces, and concentrating more on other taxes, in which they tend to charge higher rates than the others. The failure to impose income taxes in New Brunswick and Nova Scotia has laid them open to the charge that they are not making the same tax efforts as other Provinces. However, it has to be remembered that the taxable capacity of any Province is directly conditioned by its economic position. In the Maritimes, the persistence of certain adverse economic conditions has limited the number of taxable subjects, and the presence of a Dominion income tax unduly limits the possibilities of getting adequate revenues from an additional income tax laid on by the Province. In conditions of economic retardation, taxes must not be made to lie heavily on too sensitive places (either industries or persons). Instead, and this is particularly true of Nova Scotia, greater resort has been made to other taxes, and their rates have been put comparatively high (e.g. bank and other corporation taxes, succession duty taxes on higher incomes, gasoline taxes, and licenses, etc.). In short, with persistent economic difficulty, there seems to be a tendency to try to put new taxes on extra-Provincial subjects (including tourists through heavy gasoline taxes), more than on internal subjects, and insofar as industry within the Maritimes needs all the encouragement it can get, there is considerable economic justification for this sort of policy.

Furthermore, the economic difficulties have compelled the Maritime governments to make comparatively large expenditures for development purposes (roads, aids to industries, etc.), which lay new charges on government earnings.



If the governments try to meet these new charges by income taxes laid on already economically weak subjects, they will tend to offset whatever beneficial effects may arise from the development expenditures. In short, the taxable capacity of the Maritimes is gravely limited, and so also are therefore the revenue possibilities of the governments. The important new revenues of the last ten years have been secured partly from the Liquor Commissions, partly from taxation of corporations (particularly extra-Provincial corporations), and mainly from the increased gasoline taxes. But these cannot be expanded indefinitely. Too high gasoline taxes would hinder the tourist trade that the Maritimes are so anxious to develop, and economic re-

tardation limits the number of taxable corporations.

While the expenditure needs of the Maritimes tend to be comparatively great, their revenue possibilities are narrowly circumscribed. The rapid growth of debt in the last ten years (in Nova Scotia from \$35 million dollars in 1926 to 98 millions in 1937, and in New Brunswick from 34 millions to 76 millions in 1937), has been only slightly attributable to recent depression difficulties, and mainly to the fundamental long term disabilities under which these Provinces find themselves by reason of lack of resources, and incidence of national policies. New roads seemed to be a possible method of meeting the underlying difficulties.

---

## The Trend of Rural Population in Nova Scotia

---

By A. B. BALCOM

---

THE census returns for 1881 mark an important turning point in the story of rural life in this Province. Prior to that time a slow but fairly steady increase in rural population was taking place. But each census since that date records a steadily decreasing number of rural residents. By 1931 the number classified as rural was some one hundred thousand smaller than it was half a century earlier. In part this was merely a matter of classification, since the census lists as urban all who live in incorporated areas. Thus the number shown as rural residents was decreased as each new town was incorporated. This, however, was of minor significance. The fact remains that for more than half a century the rural population of this Province steadily decreased, whereas it should have doubled during that time from natural increase

alone. The total rural loss, therefore, can scarcely have been less than half a million people.

An estimate of the significance of these population trends requires an appreciation of the causes which occasioned them. The explanation of the earlier immigration is clear. The opportunities offered by the resources of this Province were sufficient to induce a goodly number to brave the hardships of pioneer life and settle in this land. The reasons for the more recent rural exodus, however, are not so obvious. The inducements to migrate were many. Greatest importance, however, must be attached to the far-reaching changes which the so-called Industrial Revolution effected in all phases of social life.

The influence of two aspects of these revolutionary occurrences on conditions in Nova Scotia during the period of this emigration is easily discernible. In agriculture the mechanization of farm process-

---

EDITOR'S NOTE:—A. B. Balcom is Professor of Economics at Acadia University and represents this University on the Council of the Institute of Public Affairs.