

The Maritime Provinces, the Maritime Rights' Movements and Canadian Federalism

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Even upon a superficial examination of the Confederation period, it is obvious that the drive behind the union movement did not come from the Maritime region. The three Maritime colonies of Nova Scotia, New Brunswick and Prince Edward Island were prosperous communities whose semi-independent status dated back to 1758 in the case of Nova Scotia, to 1769 in P.E.I. and 1784 in New Brunswick. This long autonomous evolution had given to each of these colonies a unique character and a genuine pride in their accomplishments. Nor were these colonies as isolated as their small size would suggest: bordering the Atlantic Ocean, they were obviously outwardly oriented and carried out an extensive trade with the British Isles, the West Indies and the eastern coast of the United States (the "Boston states"). Indeed P.E.I.'s fish, New Brunswick's timber and Nova Scotia's schooners could be found in many parts of the world. However, as was the case for the other colonies of British North America, this prosperity masked serious problems: there was always present the threat of invasion from the U.S. or the Fenians; the credit of some of these colonies had been stretched to the limit in an attempt to modernize their transportation system and they were about to lose their main market with the repeal of the Reciprocity Treaty of 1854. It was for these reasons that they met in the fall of 1864, at Charlottetown, to discuss the possibility of a union between themselves.

The Confederation story has been told many times and there is no room here but to emphasize the particular aspects that interested the Maritimers in the Confederation project. As presented by the Canadians, the larger project of union of all British North America had several attractive features for the Maritimes. First of all, the Canadians offered the Maritimers to enter into a Union with them. Such a scheme would increase substantially the power and the prestige of all of the colonies. They would all be in a better position to defend themselves and to win new markets. Their prosperity would be further increased by eliminating tariff barriers between themselves and obtaining access to each other's markets. Their economies, it was claimed, were complementary and they would provide each other with what they individually lacked. Furthermore, the Canadians pointed out, the new government of the union would take over all existing provincial debts and the Maritime ports would undoubtedly be used as winter ports by the rest of Canada.

The second part of the Canadian proposition was that local autonomy need not be forfeited since they proposed to create a federal union. In that way, each colony would not lose its individuality and could continue to pursue its own goals. The powers that would be given to the provincial governments would be, significantly, those where the colonies distinguished themselves so much from one another. Consequently, none of

the colonies need fear that its individuality be dissolved and that it would be dictated to by the larger entities (Ontario and Quebec).

It turned out in the end that it was this last part of the proposal that was to be the telling point in the Confederation issue in the Maritimes. Generally speaking, Maritimers recognized easily the necessity and the advantages to a general union but, throughout the whole of the Confederation period, they continued to doubt whether this larger union could be achieved on terms that would be advantageous to all concerned. Specifically, their fears were **political, economical and sentimental**.

Politically, Maritimers feared that their interests would not be protected in the federal government. After all, their aggregate population (including Newfoundland) would only make up 25% of the new Dominion's population. Ontario, for its part, demanded that representation by population be granted in the new House of Commons. If this was conceded, the effect would be to deliver the government of Canada into the hands of central ("Upper") Canadians. To this, Canadians countered by sustaining that Maritimers could always depend on Quebec if Ontarians attempted to dominate the others openly. Nobody seems to have considered seriously the possibility of Ontario and Quebec allying themselves against the others: in the context of 1864 that possibility did not seem serious. Furthermore the Canadians made concessions to the Maritimers in the Upper House: the Senate would be created on the basis of regional equality. Consequently the Maritime colonies would receive as a region as many senators as Quebec or Ontario taken individually (24 senators each). Despite these safeguards and concessions, Maritimers entered Confederation fearing that they would be politically powerless in the new union.

Economically, Maritimers had fears at two levels: a) Could their provincial governments support themselves once customs and excise taxes were transferred to the federal government? b) To what extent would they benefit from being linked to the Canadian market?

a) One of the essential agreements at Confederation was that the several colonies would eliminate the tariff barriers that they had erected against one another and that they would adopt through the federal government a common tariff against all other countries. Thus, it was essential that the provinces relinquish the right to levy customs and excise taxes and that these taxing powers be transferred to the federal government. However, in doing so, they would not all be affected in the same way: generally, the Maritimes would give up a far greater share of provincial/municipal revenues than the United Province of Canada would.

TABLE I

% distribution of combined provincial/municipal revenues (1866)

Source of revenue	Canada	Nova Scotia	New Brunswick
Customs	45	75	72
Excise	11	-	-

Realty	23	7	9
Licences, permits and fees	5	2	3
Public Domain	5	8	7
All others	11	8	9

Upon the examination of such statistics, the Fathers of Confederation came to the conclusion that the provincial governments would not be in the position to be self-supporting on the tax base that remained. Thus, it became essential to adopt measures to compensate the several provinces: 1) First, it was decided that the new federal government would take over all of the existing debts of the provinces. By doing this, provincial expenditures would be drastically reduced, especially when one keeps in mind that the new federal government would also be in charge of railway construction and other developmental expenditures; 2) Next, the provinces were given access to the field of direct taxation. However, this measure was a rather hollow one for the time: governments feared to use direct taxation as that tax was so unpopular. So far as Maritimers were concerned, if direct taxation followed close on the heels of Confederation and municipal reforms (the plan of Confederation entailed the further development of municipalities in the Maritimes), the whole plan might as well be shelved as it would never secure the support of the majority of their electors; 3) Consequently, the Fathers of Confederation were forced to adopt the idea of federal subsidies for the support of provincial governments. Such subsidies were to take mainly two forms: fixed amounts would be paid annually for the support of provincial governments (s. 118 of the Constitution Act) and an annual grant of .80¢ a head, based on the 1861 population, would be paid to each government. It was also understood that, as expenditures would rise, the provincial governments would have to resort to direct taxation to meet their increased costs. Nevertheless, it is evident that such subsidies would remain a significant factor in provincial budgeting for a long time as the following table shows:

TABLE II

% of the provincial revenue derived from federal subsidies
1874-1913

<u>Province</u>	<u>1874</u>	<u>1913</u>
P. E. 1.	75	73,7
Nova Scotia	81	37,9
New Brunswick	92	45,3
Quebec	48	23,1
Ontario	47	25,7
Manitoba	88	35,4
Saskatchewan	-	34,8
Alberta	-	36,4
British Columbia	62	19,7

Despite these arrangements, there continued to exist the feeling, particularly in the Maritimes, that provincial governments would not only be inconsequential but also deficit ridden.

b) Would Maritimers benefit from being linked to the Canadian market? On the face of it the prospects seemed good. The economies of the two units seemed to be complementary. Thus, they could be good customers for each other's products. But these rosy prospects masked grave difficulties:

i) There existed very little trade between Canada and the Maritime colonies. Such trade only accounted for 2.5% to 3% of Canada's exports between 1863 and 1866. It is easy to see that Confederation would not only mean a political realignment but also an economic upheaval for most of the provinces.

ii) The economy of each of these provinces was not as complementary to the others as first appeared. Aside from banks, insurance companies and other services that would obviously compete with one another in all the provinces, there would be further competition for certain important products as shown in the table below.

TABLE III

Main production of the British North American colonies (1866)

P.E.I.: fish, grain and potatoes.

Nova Scotia: fish, timber, sail, rope, shipbuilding, coal, some grain and shipping.

New Brunswick: timber, rope, ships, potatoes, fish and shipbuilding.

Quebec: agricultural products, manufacturing, timber, ships, shipping and some fish.

Ontario: agricultural products, manufacturing, timber and grain.

iii) The Upper Canadian Fathers of Confederation were committed to the building of a transcontinental economy and, consequently, to the great task of the opening of the West. Macdonald and Brown dreamed of the day when Canada would stretch from sea to sea. The development of the western part of the country would supply a captive market for central Canadian producers and Maritimers felt that they might be left out in developmental projects and find it hard to compete with "Upper" Canadians because of larger transportation costs. To attract them to their proposition, the Canadians promised the construction of an Intercolonial railway that would link Central Canada to Nova Scotia and to use the Maritime ports for winter shipping. By such a plan, Maritime products would be available in Central Canada and the West, and their ports would be developed further. However, the Maritimers should have seen a note of warning in the following speech delivered in Halifax (Sept. 12, 1864) by John A. Macdonald:

I don't hesitate to say that with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political union for the colonies. It cannot be denied that the Railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada. Whilst we have the St. Lawrence in Summer, and the American ports in time of

peace, we have all that is requisite for our purposes. We recognize, however, the fact that peace may not always exist, and that we must have some other means of outlet if we do not wish to be cut off from the ocean for some months of the year.

iv) The last of the great economic difficulties was in relation to the export trade and the projected tariff protection. The Maritime colonies had had comparatively low tariffs prior to Confederation since a good deal of their business was done in the export trade to the far corners of the earth. How would the unification of the tariff be achieved? By adopting the lower Maritime tariffs or the higher Canadian ones? Given the small representation of the Maritime provinces in the House of Commons or the Cabinet (in the pre-Confederation discussions it had been agreed that the Maritimes would get 1/3 of the Cabinet posts) it was likely that the latter would be adopted rather than the former. With a higher tariff against American or West Indian products, Maritimers were risking to lose long standing customers in return for rather obscure prospects of access to a national market.

TABLE IV
Custom duties imposed on imported products (1861)

Canada	19% ad valorem
New Brunswick	13 $\frac{3}{4}$ % ad valorem
Nova Scotia	11 $\frac{3}{8}$ % ad valorem
Prince Edward Island	10 $\frac{3}{4}$ % ad valorem

Maritime sentimental feelings: It is always less difficult to measure facts and figures than to assess the importance of such intangibles as national feelings, pride in self-government and patriotism. Yet, these feelings played an essential part in the pre-Confederation discussions. It is clear from evidence available that Maritimers were not overjoyed at the prospect of losing their independent status. Becoming a "Canadian" just did not stack up against the pride Maritimers felt in being what they were. It is symptomatic that the Canadians chose George-E. Cartier to be the first to address the Maritime delegates at the Charlottetown Conference. Cartier was not well known for his oratorical talents but he possessed a clear distinction that was much admired and shared by most of the Maritimers and, thus, was likely to impress them: he too was from a proud people with long traditions, and yet he did not fear Confederation because nobody was asked to forsake its past to join the new union. French Canadians were joining Confederation to reinforce their nationality, not to cast it aside. Canada would be a country in which diversity would be protected since the Canadians proposed to create a federal union. This point was nearly as important to the Maritimers as it was to the Lower Canadians.

Despite this solution, there would long continue to exist in the lower provinces the feeling that Maritimers had sold their birthright upon entering Confederation. With such conflicting feelings it is not surprising that Maritimers not only showed little enthusiasm for Confederation but were probably also opposed to it. Indeed, if we consider the actions of the four Atlantic provinces' governments between 1864 and 1867 we find that, in two of the colonies (Newfoundland and P.E.I.), the plan of union was defeated in their legislatures and that the 72 Resolutions were never submitted formally to the representatives of the other two. When an election was called on the issue in New

Brunswick (1865), the pro-Confederation government was defeated soundly. Circumstances did alter in 1866 when a Fenian attack and a change in the post of Lieutenant-Governor threw New Brunswick, once again, on the Confederation side. However, it still remains that both Tilley and Tupper could only manage, at best, to have resolutions adopted empowering their representatives to continue the negotiations further in London. In the winter of 1866, when the news broke out that the plan of union had been finalized and accepted by the delegations of Canada, Nova Scotia and New Brunswick, it must have come as a great surprise to many Maritimers.

That it would take a long time to "nationalize" the Maritimers soon became evident immediately after Confederation. In the federal elections of 1867, Nova Scotia elected 18 anti-Confederalists (Tupper was the only pro-Confederation candidate to survive) and returned a provincial legislature that contained 36 like-minded representatives in a House of 38 members: The Nova Scotia secession movement was highlighted by the fact that the provincial government ran a deficit of \$70 000 in its first year of operation. Those who had claimed that provincial governments had been left with too few independent sources of taxation, and that they would soon have to resort to the dreaded direct tax, seemed to have been vindicated. Nova Scotia's firms and businesses were also hit hard by the market shifts that the end of the Reciprocity treaty of 1854 and Confederation brought about. For example the trade figures of the town of Yarmouth showed a decline of 41% between 1865 and 1868 and other towns suffered similarly. Under such circumstances, Confederation was bound to be blamed for all of the economic ills of the Maritimes.

Characteristically, Macdonald's answer to the "repeal" agitation in Nova Scotia was pragmatic in nature: he raised Nova Scotia's debt allowance to \$27.77 per capita (similar adjustments were made in New Brunswick but not in Quebec and Ontario) granted the province a ten year annual subsidy of \$83 000 and took the trouble-maker Joseph Howe into his cabinet as, of all things, Secretary of State for the provinces. For the time being, these measures reduced the agitation but the disturbances of the Confederation "agreements" ultimately created more trouble than Macdonald had bargained for. From 1869 and for the next two generations, the federal government saw an endless procession of provincial delegations demanding compensation for real or imagined claims that they asserted arose from past discrimination.

The "better terms" of 1869 did not dissolve completely the anti-Confederation agitation in the Maritimes. The region witnessed quite a bit of economic difficulty in the post-Confederation era: the passing of the age of sailing vessels and their replacement by metal ones ushered in a period of transition that proved to be difficult for all of the Maritime provinces. A world depression that began in 1873 and only disappeared completely in 1896 also contributed to the malaise. However, it was the onset of the National Policy that precipitated the next crisis in the 1880's.

On all counts, the National Policy seemed to run counter to the interests of the Maritimers: the over-emphasis on the east-west continental economy and the heavy reliance on Western development detracted the federal government from doing what Maritimers felt was its first task - developing further the already settled areas of Canada. The introduction of the high tariffs of 1879, essentially meant to protect emerging central Canadian industries, moved J.C. Pope of P.E.I. to write Macdonald:

However much the National Policy may promote the interests of the Dominion as a whole, we cannot shut our eyes to the fact that so far as the Island individually is concerned it means largely increased taxation with no corresponding advantages. They have no manufactures of any importance, and must necessarily import many of their manufactured articles from Montreal and Ontario, and for their English goods they have to pay in the way of duties 50 per cent more than formerly.

While it is true that the manufacturing sector grew substantially in the other two Maritime provinces, such growth was small in comparison to that achieved by Ontario and Montreal. However, the general effect of the high tariffs on the Maritimes was that its consumers had to subsidize central Canadian producers while their main export industries (fish, lumber and coal) were seriously affected in world markets. Still in 1926, the government of Nova Scotia wrote that it could find "no reasonable defense... of a system under which Nova Scotians are compelled to buy what they consume in a substantially protected home market, and to sell what they produce in a virtually unprotected one." While reliable figures to measure the cost of the tariff to the consumers do not exist for the XIXth century, when the tariffs presumably had the greatest impact, those available for the XXth century tend to support the views expressed by the government of Nova Scotia as Table V shows:

TABLE V

Cost (-) or benefit (+) of the existence of the tariff to each individual in the regions of Canada (1934-1974)

Region	1934	1974
Maritimes	- \$11.67	- \$60.98
Quebec	+ \$11.03	+ \$38.45
Ontario	+ \$15.15	+ \$58.75
West	- \$28.16	- \$59.70

Note on table V: The figures for the Maritimes are extrapolated from those of Nova Scotia while those of the West are actually drawn from Saskatchewan. It is probable that the figures for the other Western provinces are not as dramatic as those of Saskatchewan. Caution should be exercised in using this data although the findings are unmistakable and widely accepted.

Under the National Policy, the Maritimers were also adversely affected by the free flow of capital and manpower in the country. The Maritime financial institutions could not resist the heavy competition of larger Canadian banks and insurance companies: at Confederation, the Maritimes had controlled 9 of Canada 21 banks. By 1916 they only controlled one out of 24. Between 1881 and 1886, six Yarmouth Insurance companies disappeared and the story was not any better in the rest of the region. With developmental money mostly spent in the West, manufacturing largely establishing itself in Central Canada and the savings of Maritimers drained to Montreal and Toronto it became inevitable that the Maritimes would stagnate economically and that its excess population would migrate to more attractive regions as Table VI shows:

TABLE VI
**Percentage of population increase in the Maritimes and
the rest of Canada (1851-1931)**

Years	Maritimes	Rest of Canada
1851-1861	24.6	34.7
1861-1871	15.5	13.8
1871-1881	13.5	18.2
1881-1891	1.1	14.3
1891-1901	1.5	13.3
1901-1911	4.6	40.0
1911-1921	6.6	24.2
1921-1931	1.0	20.2
Total	68.4	178.7
Before National Policy	53.6	66.7
After National Policy	14.8	112.0

As it has been already noted, the response in the Maritimes to these circumstances, and to a new round of provincial deficits, was the rise of the separatist movement in Nova Scotia in 1886-87. The Liberal government of W.S. Fielding, elected on an anti-Confederation platform, tried to pull Nova Scotia out of Confederation. But its appeal to the British government was rejected and the agitation was politically diffused by the election of a majority of Conservatives in the federal elections of 1887.

The next three decades were years of relative peace in Canadian federal-provincial relations. This happy state of affairs was the result of several circumstances: court decisions reversed the centralizing trend initiated by John A. Macdonald and the Liberal regime of Laurier that began in 1896 recognized the new heightened position of the provinces. The 1873-1896 recession lifted and helped restore confidence in most provincial capitals. As well, the introduction of several new direct taxes in the provinces, a revised subsidy structure in 1907 and the advent of the automobile added to the financial health of the provinces. In their small way, the Maritimes benefited from all these improvements.

However, the gains that Maritimers made during this period tended to be overshadowed by their diminishing political strength in the House of Commons: while the total number of seats in the House was increased by 34% (from 181 to 245) the number of seats allocated to the Maritimes declined by 40% (from 43 to 26). All of the Maritime provinces were affected by this loss of representation but it hit P.E.I. harder than any of the others: when it joined Confederation, it had obtained six seats, in 1892 it lost one and another one in 1904; by 1911 the province was only entitled to three representatives and it could perhaps look forward to the day when it would not have a single one: The Island government took the issue of representation all the way to the Judicial Committee of the Privy Council. Having lost its appeal, it suggested an amendment to the Constitution Act that would have guaranteed to each province to keep as a minimum representation the number of M.P.'s it had had at the time of the union. Faced by mounting support for such a move, the Borden government introduced a compromise in 1915 (Constitution Act 1915): no province would have

fewer members in the House of Commons than it was guaranteed to have in the Senate. In that way, the Atlantic provinces are guaranteed 30 seats in the House of Commons (Nfld 6, P.E.I. 4, N.B. 10, and N.S. 10). This amendment recognized the special situation and character of the Atlantic region and demonstrated the flexibility of Canadian federalism.

The diminishing political influence of the Maritime region, the necessity to protect big financial interests, the standardization inherent in the National Policy triggered the third - and last - flare-up of Maritime agitation in the 1920's.

The crisis centered first around the freight-rate structure of the Intercolonial railway. It should be remembered that the railway was built even though there was no reasonable hope, for a long time, to make it a commercial success. The decision to build the Intercolonial railway (completed to Rivière-du-Loup in 1876) had been taken at Confederation because the Maritime colonies had considered it essential to give their producers access to the Central Canadian market. Traffic needs and commercial aspirations had converged to create, on the Intercolonial, a low freight-rate structure. As time passed and the traditional economy of the Maritimes (wood, wind and sail) was on the wane, the railway offered the only opportunity for the region to keep on its feet economically. In time, feeder lines were constructed and, eventually (1898) the Intercolonial reached Montreal. As they existed, in 1898, the freight rates charged on the Intercolonial were 20% lower than those usually demanded in Central Canada for hauls of up to 100 miles. The differential grew to 30% for hauls of up to 400 miles and reached 50% for those over 700 miles. Built into this structure was also a differential of about 12% in favour of the Maritime shippers. The policy was so flexible that it allowed all sorts of on-the-spot rate setting decisions. The low and flexible rate structure stimulated traffic on the line and perpetual railway deficits, in its first fifteen years of operation, were turned into an accumulated surplus of \$320 000 in the period of 1897 to 1917. Thus, low freight rates were good for the railway. They were even better for the Maritime producers as it permitted them to compete adequately in the Central Canadian market. Consequently, some industries that would never have otherwise located in Nova Scotia and New Brunswick used this advantage to settle in the region. Under these circumstances, the Maritimes' traditional view of the National Policy was beginning to wane and the region was receiving, for the first time, some tangible benefits in Confederation (see T.W. ACHES ON, "The National Policy and the Industrialization of the Maritimes, 1880-1910," in *Acadiensis*, Vol. I, No. 2 (Spring 1972): 3-29).

It proved impossible for Maritimers to defend this advantage in the long run. The creation of the Canadian Pacific Railway monopoly in the West left Westerners with a sense of frustration and the distinct feeling that they were discriminated against by being subjected to high freight-rates. As the population of the West increased, the call for reform became a veritable clamour. The federal government's response to the Western pressure was to attempt to eliminate discrimination in freight-rates while providing companies with a reasonable return on capital invested in the railways. The conclusion was inevitable: seemingly, the objective could only be achieved by increasing the rates in Eastern Canada. In that way, the C.P.R.'s interests would be safeguarded. As for Maritimers, their ability to defend the Intercolonial's regionally oriented transportation policy had declined as their representation in the House of

Commons dwindled. A series of measures were adopted by the Conservative governments from 1912 to 1920:

- 1) In 1912, the eastbound-westbound differential of 12% in the freight-rates was abolished.
- 2) Following attacks by R.B. Bennett who claimed that the Intercolonial's rates were from 25 to 78% lower than those paid by Westerners, the Canadian government first (1917-1918) created the Canadian National Railways (incorporating, among others, the Intercolonial), then closed the Intercolonial's headquarters in Moncton (the staff was moved to Toronto) and at the same time abolished the freight-rate differential between the East and West.
- 3) Finally, in 1920, it increased freight rates on the whole C.N.R. line by a further 40%. Reliable estimates are that freight rates went up by 111% in Central Canada between 1917 and 1920 while they increased by 140 to 216% in the Maritimes.

Everybody, in the Maritimes, was adversely affected by this turn of events. Coupled with the inevitable post-war recession, the federal government's move precipitated a crisis in the Maritimes: from 1919 to 1921, jobs in the manufacturing sector in the Maritimes declined by 42% and, in the 1920's, 150 000 Maritimers left the region for good (for further figures see the excellent and thorough study by Ernest R. Forbes, *Maritime Rights. The Maritime Rights Movement, 191-1927. A Study in Canadian Regionalism*. Montreal, McGill-Queen's University Press, 1979, pp. 54-72).

As Table VII shows, these jobs were, for the most part, transferred to Ontario.

TABLE VII
**Ratio of Manufacturing Production of a Region on the Share in the
Region of the Canadian Population (1870-1975)**

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Rest of Canada</u>
1870	0.97	1.11	0.92
1900	1.06	1.20	0.74
1926	1.11	1.52	0.37
1949	1.07	1.56	0.37
1969	1.00	1.50	0.50
1975	1.00	1.41	0.59

Aside from these rather upsetting circumstances, the Maritime rights' agitation of the 1920's raised a score of old grievances to justify federal intervention: once more, the tariff was attacked; the underutilization of the Maritime ports was raised and the lack of attention devoted to the region by the federal government was again underlined. But, for the Maritime governments, the main problem was an acute financial crisis that culminated with near bankruptcy in the 1930's.

Canada and the Maritimes had changed substantially since the days of Confederation. In the first 25 years of the XXth century, Canada passed from a largely rural to a relatively urban status. This change necessitated rapid governmental adaptation: educational facilities had to be upgraded and extended; social and health services, unknown in the past, had to be created; extensive road building programs had to be established etc. All of these measures added to the already strained financial resources of provincial governments. The Maritime provinces were particularly hit hard by this trend: with the lowest per capita income in the country, the revenues of the Maritime governments were rather inelastic as they continued to rest largely on federal subsidies and on the royalties of natural resources (coal in Nova Scotia and timber in New Brunswick; in 1913 for example, Nova Scotia derived 89% of its revenues from coal royalties and federal subsidies; the proportion, for similar sources of revenues was 81% in New Brunswick).

TABLE VIII

**Share of Provincial Revenues Derived from Federal Subsidies
(1900-1937)**

<u>YEAR</u>	<u>Nova Scotia</u>	<u>New Brunswick</u>	<u>P.E.I.</u>
1900	N/A	63%	N/A
1911	N/A	46	N/A
1913	38%	45	74%
1916	30	40	79
1921	19	22	48
1926	17	16	44
1927	N/A	N/A	56
1930	24	20	46
1934	N/A	N/A	41
1936	20	N/A	N/A
1937	19	21	41

TABLE IX

**Yield per Capita of Provincial Sources of Revenues
Maritime region, Quebec and Ontario
(1913-1937)**

Source	Maritime Region			Quebec - Ontario		
	1913	1926	1937	1913	1926	1937
Taxes	\$0.43	\$3.60	\$7.64	\$1.03	\$5.43	\$13.75
Licenses and Fees	\$0.11	\$1.46	\$2.73	\$0.44	\$2.59	\$3.51
Public Domain	\$1.45	\$1.54	\$1.90	\$1.05	\$2.37	\$1.86
Liquor Control	\$0.05	\$0.53	\$2.57	\$0.37	\$1.51	\$2.78
Federal	\$1.77	\$1.71	\$4.14	\$0.96	\$0.93	\$0.88

Grants						
All other	\$0.03	\$0.09	\$0.10	\$0.07	\$0.27	\$0.06
Total	\$3.84	\$8.93	\$19.08	\$3.92	\$13.10	\$22.84
Revenue						
s						
Rev.	\$2.07	\$7.22	\$14.94	\$2.96	\$12.17	\$21.96
from						
own						
sources						

Note: The revenues from their own sources were 43% higher in Quebec-Ontario than in the Maritimes in 1913; the corresponding figures for 1926 and 1937 were 68% and 47%. There were significant differences between Quebec and Ontario as well.

Table IX clearly indicates three things when the Maritime government's revenues are compared to those of Quebec and Ontario: 1) a low yield of the direct taxes; 2) the heavy reliance on the federal government; 3) an increasing disparity between 1913 and 1926. Such small revenues could not possibly match the growing expenditures in the health-welfare-education sectors in this period of time. In P. E. I., while government expenditures grew only by 30% between 1873 and 1913, they increased by 50% in the next eight years. Two things became evident to the Maritime governments before 1926: 1) its services could only meet national standards by imposing taxes that exceeded by far the national average or by obtaining larger subsidies from the federal government. It is evident that the second alternative was far more attractive to the Maritime governments than the former. 2) Failing to obtain large enough revenues, the Maritime provinces had to curtail their expenditures (in 1926, Nova Scotia only spent 23% of its budget on education and welfare; N.B.'s. proportion was 20.4% - a full half of the Canadian average!) and resort to larger than average borrowing as shown by the next table.

TABLE X

**Net Debt Charges as Percentage of Current Provincial Revenues
1913-1937**

<u>Province</u>	1913	1921	<u>Year</u> 1926	1930	1933	1937
Nova Scotia	19.0	19.5	31.9	23.1	35.3	25.9
P.E.I.	7.1	6.4	10.9	11.1	15.4	13.9
New Brunswick	18.3	38.7	37.2	31.9	55.3	36.9
All provinces	5.1	15.9	18.6	16.9	33.4	20.8

Thus, the conditions which fuelled the Maritime Rights agitation in the 1920's were high freight rates, the underutilization of the Maritime ports, the inadequate governmental revenues, the post-war economic recession, the low standard of socio-educational services and the heavy debt service charges that had to be borne by the Maritime governments.

Typically, the response of the federal government was the creation, in 1926, of a Royal Commission of Inquiry to examine "from a national standpoint [...] all the factors which peculiarly affect the economic position" of the Maritime provinces and to make "recommendations to alleviate such grievances" as might exist. The Commission's chairman was Sir Andrew Rae Duncan (hence the name of **Duncan Commission**) who had headed the Advisory Committee of the Coal Mines Department and was currently vice-president of the Ship-building Employers' Federation. The other Commissioners were W.B. Wallace, a Halifax judge, and Cyrus MacMillan, a McGill professor of English. The Duncan Commission was told to find "practicable remedies". Under the circumstances this could only mean that they would have to be acceptable to the rest of the country while still helping the Maritimes. The Commission worked speedily and completed its task in less than three months.

In their presentations to the Commission, the Maritime governments rested their case mainly on fiscal need: the governments needed to get more money from the federal government if they were to discharge adequately their responsibilities without unduly penalizing their local population. The Commission was impressed by the argument and subjected the three provinces to the test of determining whether the governments involved had not been extravagant and whether their people were bearing a fair share of taxation. It found that the cost of government had been, in the region, "surprisingly low" while their level of taxation was 16% above the national average. However, if the Commission was to make recommendations for increased federal subsidies based on fiscal needs the result would, inevitably, be a procession of provinces all coming to Ottawa to make claims of their own. Consequently, the Duncan Commission recommended increases of subsidies of \$875 000 a year for Nova Scotia, \$600 000 for New Brunswick and \$125 000 for P.E.I. and these were defended on the basis of **past inequities**. Thus, the illusion was maintained that the per capita basis for subsidies had remained. The refusal of the federal government to meet the issue of fiscal need head-on caused it to reexamine the situation in another Royal Commission (Rowell-Sirois) in 1937. The increases in the federal grants recommended by the Duncan Report were only temporary; it proposed that another fuller study of the problem be made to arrive at a final adjustment. This became the task of the **White Commission** (1934) that proposed further increases of \$150 000 for P.E.I., \$425 000 for N.S. and \$300 000 for N.B..

On the overall economic difficulties of the Maritimes, the Duncan Commission claimed that most of the Maritimers' difficulties resulted from "broad economic trends unrelated to Confederation." However, they also recognized that the development of a country as large as Canada made inequities inevitable in the application of federal policies. On transportation it proposed a 20% reduction in freight rates. The reduction was not to be borne out by the railway company but rather by a federal subsidy to the C.N.R. (the subsidy amounted to \$2 680 000 in its first year of operation). The 20% reduction applied to all lines within the Maritimes and on the westbound traffic to Central Canada. While commendable, the measure did not go as far as to reintroduce the flexible rates that had existed before the period of 1912-1920.

On tariff and trade, one Maritimer after another claimed that the real markets for their products laid abroad. They demanded a revised federal system where trade and fisheries' policies would be regionally controlled. However, on this issue the Maritimers

struck out as this solution was "not within the spirit or the structure of Confederation." They also failed to make gains in front of the Commission on the issue of using their ports to ship grain abroad. Their demand was obviously in conflict with Western and Montreal milling and shipping interests. Such solutions would not have been "practicable"! Other minor suggestions were made: better transportation links with P.E.I., a coking plant in N.S. and Harbours' Commissions in Halifax and St. John.

The government of Mackenzie King implemented nearly all of this mixed bag of give and take. Despite the lack of comprehensiveness of the solutions proposed, the Report effectively diffused the Maritime agitation once and for all. There was never again to be a large-scale movement in the region to support independence or even increased autonomy. Quite to the contrary; the history of the last 75 years demonstrates that the Maritime provinces have become the staunchest supporters of a centralized system of government. This shift in outlook came about with the realization that the Maritimes depended on increased support from the federal government to provide adequate services to their population. Table XI clearly indicates to what extent the Maritime provinces continue to be dependent on federal fiscal transfers to support themselves: for all intent and purposes, the Atlantic provinces are now **client states** of the federal government!

TABLE XI

**Percentage of the Provincial Budget Derived from the Federal Government
(1958-1976)**

Year	Province									
	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK	ALTA	BC
1958	56	60	51	46	13	18	52	30	23	28
1960	71	65	56	57	18	27	52	40	29	34
1962	65	55	53	54	26	28	49	39	33	33
1964	61	58	46	48	27	24	34	26	21	18
1966	59	56	48	52	19	20	30	24	17	16
1968	63	61	58	49	24	19	36	29	23	16
1970	53	58	42	44	25	18	32	32	21	19
1972	52	50	42	43	22	19	33	38	20	17
1974	53	54	44	47	24	17	32	28	16	17
1976	52	60	48	47	23	21	35	26	11	19
avg. for the period	58.5	57.7	48.8	47.7	22.1	21.1	38.5	31.2	21.4	22.0

Despite the massive transfers to individuals and governments in the past 75 years, major advances have not been made in the fight to eradicate regional disparities as shown in Tables XII, XIII and XIV:

TABLE XII

Gap Between the per capita Income of Maritimers and that of the Highest Province in Canada (B.C. or Ontario), 1926-1974 (%)

<u>Year</u>	<u>Gap (%)</u>
1926	46.2
1935	46.0
1946	31.4
1951	47.2
1962	41.1
1967	37.2
1971	38.5
1974	33.7
1986	43.7
1990	32.0
1996	32.9

Note: The table includes Newfoundland after 1949. The data for 1986, 1990 and 1996 is based on the family or household income.

TABLE XIII

% of Unemployment in Each of Canada's regions Given a Hypothetical National Average Unemployment of 7%

Region	of unemployment
Atlantic provinces	12%
Quebec	9.2
Ontario	5.2
Prairie provinces	4.4
British Columbia	8.0

TABLE XIV

**Government Transfers as % of Total Income
All Provinces – 1996**

<u>Area</u>	<u>% from Gov. transfer</u>
Newfoundland	24.6%
Prince Edward Island	22.1
Nova Scotia	19.1
New Brunswick	19.7
Quebec	16.2

Ontario	12.5
Manitoba	15.1
Saskatchewan	15.9
Alberta	10.9
British Columbia	12.7
Yukon	9.2
Northwest Territories	8.4
All of Canada	14.0

Note: Source for this table is Statistics Canada's Internet Site, <http://estat.statscan.ca/cgi-win/CNSMCGI.EXE> accessed on February 28, 2001.

On the whole, since 1867, the history of relations between the Maritime provinces and the federal government has not been a happy one. It was perhaps inevitable, in the long run, that the region would suffer economic setbacks as its mid-nineteenth century prosperity rested on a set of circumstances that were already on the verge of disappearing at the time of Confederation. However, neither was it beyond the power of Canada to see to it that Maritimers receive their fair share of the benefits that Confederation obviously brought to much of the rest of the country. It is a sad comment to make that a once proud and self-reliant community has become, in less than four generations, structurally so economically depressed that its governments and its people have to rely so heavily and permanently upon the support of the federal government and the rest of the country. The federal government has played a significant role in turning Atlantic Canada into such an economic state. The latest example is connected to the fisheries of Newfoundland where federal mismanagement contributed heavily to the virtual eradication of a way of life, let alone the economic misery that grips presently the Island.

The history of federalism in the Atlantic provinces in the last 135 years demonstrates convincingly that it is very difficult to make the system work adequately when one of the regions of Canada is so far behind the others in population, wealth and bargaining power.