

finance between the Dominion and the province. It would of course be profitable to the Dominion to pay you the money, as we could easily raise it at much lower rates.

I do not think your government have any unconditional right to demand this money from the Dominion. There are certain limitations provided by the statutes; but no doubt if you desired to obtain the money, you could easily comply with these conditions.

In the earlier history of confederation it appears to have been contemplated that the moneys placed to the credit of the provinces in what was called the debt account should remain in that account, and the annual interest be paid to supplement the allowances for the support of the provincial governments. I find, however, that in 1874 there was a change of policy in this respect. Section 2 of chapter 17 of the statute of that year provides as follows:

The Governor in Council may in his discretion advance from time to time to any province of Canada such sums as may be required for local improvements in the province, and not exceeding in the whole the amount by which the debt of the province for which Canada is responsible then falls short of the debt with which the province was allowed to enter the union, such advances to be deemed additions to the debt of the province, with permission to the province to repay them to Canada, on such notice, in such sums and on such other conditions as the Dominion government and that of the province may agree upon, any amount so paid being deducted from the debt of the province and calculating the subsidy payable to it.

Under this statute it appears to have been intended that the moneys at the credit of the provinces could be withdrawn for the purpose of assisting in the construction of provincial public works. Considerable sums were so drawn by the provinces of Nova Scotia, New Brunswick, British Columbia and Manitoba.

By chapter 4 of the Acts of 1885 the section above quoted was re-enacted with a further limitation placed upon the action of the provincial governments by requiring the passing of the provincial statute as a basis for an application to the Dominion government for payment of these moneys.

I think that practically the Act of 1884 operates as an extension of the Acts relating to the debt account, and that, therefore, the moneys credited to Ontario by the Act stand in the same position as a balance of debt account favourable to a province under the British North America Act. This was the view apparently taken by this department in 1884, and since continued, as appears by the public accounts.

Looking at these several Acts, I am of opinion that you would not have the right to withdraw these moneys for the ordinary purposes of government, but what parliament intended that they might be withdrawn by a provincial government, with the previous sanction of the legislature, for local improvements. I have no reason to doubt that if, instead of raising the moneys for your public works by the issue of securities, you had seen fit to make application under the Acts above cited, for a portion of these moneys from the Dominion, the government of the day would have recognized this as a proper use of the moneys, and would have authorized the payment of the sum required.

If you desire now to withdraw, subject to the above conditions, any moneys standing to the

credit of the province, there would not be any objection to your so doing.

Yours faithfully,

W. S. FIELDING,

Minister of Finance.

To the Hon. G. W. Ross,
Premier of Ontario,
Toronto.

Now, to my mind the two clauses are practically similar, with this difference, possibly, that the case before us is a stronger case in favour of the province withdrawing the money than was the case of Ontario. It is doubtful whether this sum of \$2,848,000 was a debt or not; but in any case it was practically a sum made up as the basis of a subsidy, but in the Act of parliament creating that subsidy it was called capital, and then 5 per cent of that sum was to be paid as additional subsidy. Here we declare this sum of \$8,107,500 to be a principal sum, and we name the amount of interest that is to be paid on account of that principal sum, namely, \$405,375. Now to my mind, as the resolution is now worded, this sum of \$405,375 being specifically designated as interest under the Act of 1885, the Minister of Finance would be obliged, if the proper application was made by the province of Alberta by Act of the legislature, to pay over any portion of this sum of over \$8,000,000 so long as it was required by that province for the purposes of public works. I do not think that is the intention of the Minister of Finance, but I do not think that he has yet secured a wording of the resolution that would actually prohibit the province from demanding it. Now we may say: Let us pay it to the province if they demand it, because the Dominion can borrow money at a much lower rate of interest, it would be a saving to the Dominion, and we would thenceforth require to pay a much smaller subsidy. But we know the danger of provinces exhausting their revenues in this way. It will simply result in after years in a further demand being made for an additional subsidy on account of their having lost or spent what was originally provided for them. If the minister can assure me that the wording of this will make it absolutely clear that the province of Alberta will have no right to call upon any part of the principal sum, then I have nothing further to say, because I am making no complaint with regard to the provision that is made for the province.

I am not saying it is too small or too great. I have not gone into the calculation as to whether this is the correct equivalent to the debt of the other provinces or not. I take it for granted the officials of the Finance Department have thoroughly investigated that, and that it approximately, at any rate, approaches the exact figure. But legislating, as we are here now, on a matter that is to last practically for all time to come, we