Funding: The dream of self-supporting schools

In announcing the construction of the three initial industrial schools, Indian Commissioner Edgar Dewdney said that although the starting costs would be high, he could see no reason why the schools would not be largely self-supporting in a few years, due to the skills in farming, raising stock, and trades that were being taught to the students.[119] In supporting an Anglican proposal for two industrial schools in Manitoba, Indian Affairs Deputy Minister Lawrence Vankoughnet wrote to Prime Minister Macdonald that it would be "well to give a Grant of money annually to each school established by any Denomination for the industrial training of Indian children." He said that system worked well in Ontario, and it "costs the Government less than the whole maintenance of the School would cost and it enlists the sympathies and assistance of the religious denominations in the education and industrial training of the Indian children."[120]

The government believed that between the forced labour of students and the poorly paid labour of missionaries, it could operate a residential school system on a nearly cost-free basis. The missionaries and the students were indeed a source of cheap labour—but the government was never happy with the quality of the teaching and, no matter how hard students worked, their labour never made the schools self-supporting. Soon after the government established the industrial schools, it began to cut salaries.[121] Initially, the federal government covered all the costs of operating the industrial schools. In 1891, this policy was abandoned in favour of one by which schools received a fixed amount per student (referred to as a "per capita grant").[122] The system both intensified the level of competition among churches for students and encouraged principals to accept students who should have been barred from admission because they were too young or too sick.[123]

The government never adequately responded to the belated discovery that the type of residential school system that officials had envisioned would cost far more than politicians were prepared to fund. In the early twentieth century, chronic underfunding led to a health crisis in the schools and a financial crisis for the missionary societies. Indian Affairs, with the support of leading figures in the Protestant churches, sought to dramatically reduce the number of residential schools, replacing them with day schools. The government abandoned the plan when it failed to receive the full support of all the churches involved in the operation of the schools.[124] Instead, in 1911, the federal government finally implemented a significant increase to the per capita grant received by boarding schools and attempted to impose basic health standards for the schools. This resulted in a short-term improvement. However, inflation eroded the value of the grant increase, and the grant was actually reduced repeatedly during the Great Depression and at the start of the Second World War.[125]

Funding for residential schools was always lower than funding for comparable institutions in Canada and the United States that served the general population. In 1937, Indian Affairs was paying, on average, $180 a year per student. This was less than a third of the per