

low incomes groups realize that the cost will fall back upon them as taxpayers.

If, then, they could be shown that the taxation approach, backed by adequate funds, can become the basis for an even more effective system of social security than that provided by "insurance", there is no reason why they should not "like", indeed, prefer, to "contribute" through the progressive income tax in accordance with their ability to pay.

This is not to say that income tax would be an easy alternative to indirect taxes or contributions, either from an administrative or a political point of view. It can be argued that present income tax machinery is too ineffective to collect enough to pay adequate benefits without a means test. However, in a country like Canada where no general system of income maintenance has as yet been set up, the contributory approach would mean that some new machinery for collecting "contributions" would have to be worked out in any case. If the principles of the taxation approach are more sound, then, the administrative argument should not be allowed to stand in the way. Instead, our taxation machinery should be extended and improved.

There remains not only the difficulty of working out an adequate system of collection for certain occupational groups, but also the problem of showing the middle and low income groups that

social security cannot be paid for simply by a more steeply graduated tax on high incomes after the war. Such a tax might weaken individual incentive and lower national production, and could not by itself begin to pay for a comprehensive system in any case. Those on middle and low incomes must contribute a substantial share of the total cost themselves. Though a direct, graduated tax would be the most equitable way for them to pay this share, they may not be prepared to contribute as much by this method as they must to gain a complete system of income security.

If this should be the case, it might be psychologically valuable to preserve at least the fiction of insurance by having benefits at least nominally related to individual contributions—as with the New Zealand registration fee. It might be easier to persuade both low and high income groups to accept an adequate system of security if this sort of nodding recognition is given to the contributory principle.

Any greater recognition of the principle, however, may cause us to be led astray by a false prophet. Neither means test nor "insurance" contribution can give us real social security and if our determination to achieve this objective is strong enough, then the successful application of the taxation approach must be our ultimate aim.

What Family Allowances Mean to the Maritimes

By F. B. MacKINNON

ON July 1, 1945, the Family Allowances Act of Canada will take effect and a monthly cash allowance will be paid to every child in Canada under the age of 16 years. It is estimated that these payments will be made on behalf of approximately 3,409,000 children at an

approximate cost of \$200,000,000 a year

It is the purpose of this article to discuss the Family Allowance Act as it may affect the social and economic life of the Maritime Provinces. What are the implications within the socio-economic framework of the Maritimes? The general arguments for and against the plan have been so well stated in numerous articles and papers during the past two or three years that there is not much more to be added to the discussion.

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But it seems worthwhile to test the validity of these arguments by examining the probable impact of the new measure on a given area such as the Maritimes.

The Act provides for allowances on the following scale:

0- 5 years.....	\$5.00 per month
6- 9 years.....	6.00 per month
10-12 years.....	7.00 per month
13-15 years.....	8.00 per month

For the fifth child in the family these rates are reduced by one dollar per month, for the sixth and seventh child by two dollars per month and for the eighth and additional children by three dollars per month. These monthly cash grants will be made to the heads of families and the money so received is to be applied towards the maintenance, care, training, education and advancement of the child and, if the money is not so used, there is provision in the Act for it to be discontinued or paid to a suitable person or agency.

This briefly is the plan for Family Allowances which will go into effect on July 1, 1945. Since the passage of the Act through the House of Commons, a new department has been created by the Federal Government to administer health and welfare services and two deputy ministers have been appointed for health and welfare respectively. Dr. George Davidson, the former Executive Director of the Canadian Welfare Council is in charge of welfare and it will be the responsibility of his division to put into effect and administer Family Allowances.

The basic principle in support of the plan is clearly stated in the Beveridge Report.¹ The conclusions arrived at by Sir William Beveridge have been influenced by the findings of social surveys undertaken in England in recent years. It is pointed out that of all the cases of "want" shown by the surveys three-fifths to five-sixths were due to interruption or loss of earning power. The remedy for cases of that type is Health and Unemployment Insurance.

In almost the whole of the remaining one-quarter to one-sixth of cases "want" was caused by the failure to relate income to the size of the family. It is to meet this fundamental feature of the wage structure that Family Allowances are designed. It is well known that a man's earning power or wages bear no relation to the size of his family: whether the wage earner is a bachelor, a man with two children or ten the wages paid for equal work are, or should be, the same.

Both the Beveridge Plan and its Canadian counterpart, the Marsh Report² recommend cash payments by the State to all children regardless of family income as a part of a comprehensive scheme of Social Insurance. At the present time Children's Allowances in some form are being paid in Australia, New Zealand, Chile, Uruguay and Brazil. They were, at the outbreak of war in 1939 on the statute books in most of the Continental countries of Europe. The Soviet Union and Eire instituted Family Allowances in 1944.

Effect on Wages

To people in the Maritime Provinces who live under a Poor Law patterned after the old English legislation designed in the reign of Elizabeth, it will be interesting to note that a project having at least a close similarity to Family Allowances was attempted in England in 1795 by the Speemhandland Act. For determining the amount to be given as poor relief, scales of allowances were drawn up proportioned to the number of persons in the family and the prevalent cost of living. Wages were stabilized according to these scales and were made up, if below the standard set, by the payment of relief or allowances. The results were disastrous; wages dropped and labor was pauperized. Why this should have happened does not concern us here. Suffice it to say that the failure of the system, geared as it was to an oppressive Poor Law Administration, can hardly be taken as an indication of the economic

1. Social Insurance and Allied Services Report by Sir William Beveridge. 1943.

2. Report on Social Security for Canada. Prepared by Dr L. C. Marsh. 1943.

or social results that may follow the present plan of Family Allowances.

However the idea has persisted that any such measure as we now anticipate would have an adverse affect on wages as employers of labor might use the scheme as an excuse for keeping wages down. Actually this has not happened in Australia and New Zealand, but over and against this fact it should be stated that minimum wage legislation in these countries differs greatly from that in Canada where each province has its own standards. Some opposition was registered in Canada by the Canadian Congress of Labor in 1943 but when it was clearly understood that the family allowance measure was to form a part of a broad overall social insurance scheme with no relation to wages, labor circles generally have welcomed the plan.

Is there any reason to believe that the average employer of labor in the Maritimes will keep wages down because of Family Allowances? Is this danger greater in the small industry hiring a few men, where there is not the strength of a union or collective bargaining to protect the workers' rights? There is the possibility that in some few cases this may happen but where men are employed in any numbers, it is unlikely. A very large percentage of the heads of families in the Maritimes are farmers and fishermen and therefore the problem does not arise to any extent and in the case of the coal and steel worker the influence of organized labor would prevent any such trend.

Effects on Standards of Living

The Maritimes form, according to the report of the Rowell Sirois Commission the most mature and the most chronically depressed regional economy in Canada.³ Their main primary industries are agriculture, fishing and lumbering; the coal, steel and small manufacturing industries form the backlog of the industrial econ-

omy. While the coal and steel industry is easily affected by unemployment and depression a measure of subsistence may be had from agriculture and fishing even in the leanest years. Therefore Maritime Canada was hit somewhat less by the great depression of the thirties than some of the highly industrialized sister provinces. Another Maritime problem is more serious. In some areas there exists a chronic state of impoverishment which is reflected in small family incomes, inadequate educational facilities, a low standard of municipal public health and welfare services and in some cases inadequate Provincial Social Services as well. These conditions are created by small taxable resources in these areas which, in turn, makes it impossible or difficult for municipal and provincial governments to secure the revenue to provide social services. The Rowell-Sirois Report points out that maritime industries, because of their position, do not lend themselves to heavy taxation and are too few to provide a large amount of taxable income.

The per capita provincial expenditures on current account for Public Welfare and Education were as follows for the Maritimes in 1937:⁴

	P. E. I.	N. S.	N. B.	Canadian Average
Public Welfare.	3.80	7.45	5.01	12.71
Education.....	5.90	7.78	6.08	9.78

While these figures do not include municipal expenditures on these items, the same general trend is marked if municipal outlays for the three Maritime Provinces are compared with the Canadian average; in Nova Scotia at least, the provincial expenditure on public welfare would be greater than that of the municipalities.

The situation is quite similar when we contrast per capita and family income in the Maritimes with some of the more favoured provinces. The per capita income in Nova Scotia in 1933 was \$207, in New Brunswick \$180, in Prince

3. Report of the Royal Commission on Dominion-Provincial Relations. Book 1, Canada 1867-1939. P. 187.

4. Report of the Royal Commission on Dominion-Provincial Relations. Book Canada 1867-1999, Pp. 219-225.

**Ibidem. P. 194.

Edward Island \$154, compared with \$314 in British Columbia and \$310 in Ontario.⁵

It is difficult to estimate family income for those engaged in farming, fishing and lumbering because, in many cases, much of the income is in kind. Then too averages are misleading and because one area or county may be relatively prosperous while another is chronically depressed, the resulting averages tell little or nothing of the true situation. Turning again to the Rowell Sirois Report we find the average gross and net income and income in kind per farmer in the three Maritime Provinces in 1937 to be as follows:

	P. E. I.	N. S.	N. B.
Gross cash income.....	476	433	350
Net cash income.....	205	193	108
Income in kind.....	186	241	248

Professor B. S. Keirstead in his book *The Economic Effects of the War on the Maritime Provinces of Canada*⁶, states that in pre-war years the money income derived from catching and processing fish in the shore communities averaged less than \$300.00 per man per year while the fishermen in the larger centres, such as Halifax and Lunenburg, averaged approximately \$1,000.00 on bigger vessels.

Other statistics might be quoted at great length but suffice it to say that there is conclusive evidence to support the fact that by and large family income is relatively lower in the Maritime Provinces than in some of the other more economically fortunate provinces of Canada. Even more important: educational and public welfare services, while in some instances up to the Canadian average, in too many cases fall below the national average, and the Municipal and Provincial Governments are in the unfortunate position of not having the same resources for taxation that may be found in the more wealthy and highly industrialized areas of Central Canada.

⁵*Ibid.* p. 150.

⁶ Published by the Institute of Public Affairs, Dalhousie University, 1944. p. 184.

It is safe to assume that Family Allowances will benefit the farmer and fisherman in the Maritimes as much or more than any other occupational group. Families in the rural areas are relatively larger than in the towns and cities and the Maritime farmer has never at any time had easy sailing in the matter of cash income. What the effect will be on rural life in the Maritimes is difficult to foresee. The war and the resulting industrial prosperity has speeded up the exodus from the farms to the more highly paid jobs in the towns and cities. Will this trend reverse itself or at least stop when the war is over? Will any betterment of the farmer's position—such as may result from Family Allowances—halt the trend? This is probably too much to expect or hope for from Family Allowances alone but anything that improves the farmer's financial position will help.

The Maritime Provinces will not be able to carry the full cost of Family Allowances from their share or contribution of taxation to the national income. It is estimated that 10 per cent of the total national outlay for Family Allowance will go to the Maritimes and about 3 to 4 per cent of the revenue will come from this area. From a purely monetary point of view the Maritimes stand to gain considerably.

Cash Grants or Welfare Programme

It has been contended that the large sums needed to finance Family Allowances could be used to far greater advantage if expended on health, welfare and education. If such a policy were adopted, the child welfare programmes of the provinces would be broadened and extended, free clinics would be developed for children, school lunches might be given, low cost housing promoted and similar highly desirable welfare services undertaken.

This line of reasoning applies with special emphasis to the Maritimes where much remains to be accomplished in these fields and where provincial and municipal governments find difficulty in securing

the money to finance social services equal to the national average. It is argued by those who uphold this point of view that the payment of cash grants to children will not bring health, welfare and educational services to those districts in which they are now lacking and, what is even more important, there is no guarantee that the money will be spent in the best interests of the child. Let us examine these points.

Education and the social services are and will probably continue to be a provincial and municipal responsibility in the Maritime Provinces and, for that matter, all over Canada. The possibility of Federal grants-in-aid or assistance to make it possible for the Maritimes to bring these services to the national average, is not obviated by Family Allowances, in fact the way is still open to bring into being the proposals for equalization grants made in the Rowell-Sirois Report.

But even if all these improvements should be forthcoming and social services greatly extended, this would not mean a solution for the problem to be attacked by family allowances: how to relate family income to the size of the family.

We may assume that the Maritime Provinces will go on to improve their social services to the limit of their government's ability to do so. There is ample room for such improvement. In the welfare field the complete overhauling of certain provincial legislation such as the Poor Relief Act, the Illegitimate Children's Act and the strengthening of facilities for training social work personnel should be the first step. There are ample signs that in Nova Scotia and New Brunswick plans are now under way for the general betterment of provincial and municipal social services. What effect will Family Allowances have on this forward movement? Certainly not an adverse one. If anything the Family Allowance scheme will present such a challenge and opportunity to local social agencies that standards will improve. There is also good reason to

believe that the Federal Government may give help and direction by assisting with the training of personnel and strengthening the personnel standards of local social agencies and provincial departments. Certainly this would be an advantage not to be lightly discounted.

Economic Factors

There are finally economic considerations which, in the early stage of discussion as to the advisability of the legislation, were considered to be most important. The value of a certain amount of pump priming of the economic machine has been shown during the war years. The cycle of low wages, reduced buying power and falling production must be prevented if the present economic prosperity is to be carried over into the post-war period. A considerable amount of buying power will be released with the Family Allowance cheques. We may assume that money so pumped into every corner of the country will go largely for consumer goods and services exercising to some extent at least a stabilizing effect on our economy during and after the transition period. The Maritimes suffered a severe slump after the last war. There are those who view the future pessimistically. Certainly prosperity cannot be brought about by such measures as we are discussing here. But, if the shock of transition is cushioned and the severity of difficult times lessened then something worthwhile will be accomplished. Furthermore payment of the allowances will make more money available in the hands of the general public to provide for better social services.

There remains then the question as to whether the cash grants will be used for the purpose for which they are meant. Provision is made in the Act that if the grants are not used properly, they may be discontinued or placed in the hands of an agency or individual for the Child. It may be argued that in chronically impoverished areas where income has been very small, the payment of a cash allowance will induce the recipient to lie down on the job and refuse to work

leaving the lot of the children unimproved. There is no justification whatever for such a pessimistic outlook. Abuses might be expected in a few cases which will have to be dealt with individually; in fact many of them may be known already to social agencies. But it is surely safe to assume that the great mass of people of the Maritime Provinces, or for that matter Canadians generally, want to better their own lot and that of their children if given the opportunity to do so.

Family Allowances mean one important new step forward in Canada. Its success will depend almost entirely on the

administration of the Act, a subject beyond the scope of this article. The administrative implications are not as simple as they may appear or as they have been presented to be. The Canadian pattern for the administration of our social services is now being unfolded. If the Federal Government is not discerning enough to work out a coordinated plan with the Provinces and the Municipalities in dealing with the social service aspects of Family Allowances, we will have lost one of our best opportunities for promoting social progress.

Public Opinion and Social Progress

By MARY AGNES HAMILTON

OUT of the vast welter of evil produced by war, democrats on both sides of the Atlantic are deeply concerned to garner any seeds of good they can find. There are such; among them, undoubtedly, is our new and serious thinking about democracy itself. This, if we are honest and intelligent enough in the business of interrogating our faith and assessing our experience, may well prove richly fruitful: a veritable "soul of goodness in things evil" which we may, "observingly distil out."

Thus, observation of tyranny in action has revived and fortified our recognition of consent as an essential element in a free system. It has also compelled us to face the fact that mere consent is, of itself, not enough to satisfy the democratic canon. Passive acceptance of authority, warmed by the expectation of favors to come, is not good enough. Until we have made certain that consent is active and not passive we have not fulfilled the possibilities which justified Henry Maine in calling democracy a kind and not a form of government, be-

cause it alone can enable citizens to grow to know and to do, to the highest limit of their capacities. The crux is the degree of citizen participation.

From this point of view, aspects of British experience and practice are worth consideration. We move slowly. We are apt to be empiricists. It is not our way to talk much in terms of general propositions, or to work out patterns of action in advance, far less to proclaim ideological goals at which we aim. Yet, in retrospect over the steady social advance of a century, it is possible to discern something that can justly be called a democratic technique for securing a kind of citizen consent that is active, not passive a method that depends on, and in fact secures, their co-operation in each stage of the forward movement. The instrument through whose use we have in the past got things done, and now do so get them done, is public opinion: a public opinion that has been laboriously educated to a more or less conscious responsibility.

A Democratic Process

Two points are determinant. First, when any reform or change is in question, the opinion demanding action must be of

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