

Education, Debt Capacity and the Hard Budget Constraint for Ontario Municipalities in the 1930s¹

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Introduction

Education is identified as a driver of growth and it is of some interest that the responsibility for the finance and administration was assigned to local governments by the Provincial governments with the constitutional responsibility for it. The 1930s was thought to have revealed a serious weakness with this arrangement as soaring relief expenditures, and profligate borrowing for excessive investment in infrastructure during the Laurier boom and the post-war boom resulted in a largely property tax financed education sector incurring its own debts to meet annual operating costs which in turn compounded the municipal debt crisis throughout Ontario/Canada. Provincial governments responsible for their constitutional “creatures” responded by instituting repayment mechanisms, and assuming some spending responsibilities, and also by adding constraints on how municipalities could raise revenue and finance infrastructure. The intention of the hard budget constraint was to ensure that municipalities lived within their means and focused on their core functions (Tassonyi 1994). If “living within their means” resulted in municipalities reducing the resources allocated to education, then the economic conditions of the Depression may have had deleterious consequences for growth in the long run. Similarly, to the extent that the municipal debt problems of the 1930s were the product of “over-investment” during the Laurier and post-war boom, if current expenditures on education or on education capital investment was crowded out in the 1930s, then this would have created tangible long run consequence.

In this paper, I address issues related to the stability of educational finance and service provision when provinces constrain what local governments can do, and in some cases, crowd out fiscal capacity. The analysis of the circumstances surrounding the development of budget constraints as a response to fiscal crisis is also relevant to current efforts to enhance local fiscal capacity in transition and developing economies. These themes have been explored recently in Wibbels (2003) and Wallis (2004) and Wallis et al. (2004). The paper is also germane to the current debate over enhanced fiscal flexibility for local governments. The paper extends the institutional discussion of budget constraints in Bird and Tassonyi (2001 and 2003) and presents

new estimates of urban fiscal capacity during the interwar period as affected by the need to borrow funds to maintain spending on education, financed from the local tax base. At the same time, local fiscal capacity was impaired by other spending commitments. Not all municipalities went into default of their obligations and the analysis of differences in fiscal capacity across municipalities has been hitherto ignored.

Education Finance and Demand for Schooling in Ontario 1921-1941

The financing of expenditures on primary and secondary education in the late nineteenth and early twentieth century Ontario reflects the interconnectedness in local and provincial public finances. It also reflects the fact that the property tax base was expanding through the period until the Great Depression and appears to have been able to fund this component of local expenditures. Education spending at the local level was financed from provincial transfers, local assessments (the property tax) and from the use of revenues derived from the Clergy Reserves and other sources. (See Table 1.) In Ontario, the provincial transfers were made to school boards, (elementary public and separate) on the basis of attendance, taxable property, school expenditures, and any other consideration approved by the Minister of Education. The most significant expansion in schools and in revenues and expenditure occurred during the first decade of the twentieth century with the addition of 100 publicly supported secondary schools and expenditures nearly tripling from \$770,000 to \$1.9 million from 1902 to 1912. (Tables 2 and 3) Transfer payments were also made to collegiate institutes and high school boards, apportioned mainly on the basis of salaries paid to teachers, type of accommodation and value of equipment; subsidies for special subjects; and some assistance for schools in poor rural sections in mining and lumbering settlements. For the public boards, the school board determined the amount of tax to be raised and the municipalities had the responsibility to levy the rate, collect the tax and pay over the full amount of the levy, whether collected or not. Thus, school board finances would remain whole, in spite of the collection difficulties faced by municipalities during the slump.

MacLean (1942) notes the rapid growth of in the number of persons attending school in Canada from 1921 to 1931.(Table 4) He attributes the national increase in school attendees from 1.7 million to 2.2 million, reflecting a 26 per cent increase compared to the 18 per cent increase in the population category to several factors. He notes that the population is already more schooled and the share in the total population of school-age persons has increased. He also notes

another reason “of greater social significance, that in the last year of the decade, people have attended school because they have nothing else to do”. Accordingly, he notes “that the number of persons attending school at the age of 16 grew by 80 per cent during the decade; the number of 17 year olds by 91 per cent and eighteen year olds by 93 per cent or more than four times as fast as the average and five times the rate of increase of the population. The number of school attendees, aged 16 to 19 increased by 86 per cent. Ontario also adopted the Adolescent Act which required attendance to the age of 16 or 17 depending on obtaining a leaving certificate.”² This legislation was also paralleled in other jurisdictions. His comments are also confirmed by Ministry data.

As is known, municipal finances were strained in the 1930s. Concomitantly, the Ministry of Education’s published data (summarized on Table 3) show that there was an increase in demand for schooling coincident with the financial strain. In 1902, there were nearly 470,000 pupils in elementary schools and nearly 27,000 in secondary schooling. (The total provincial population was approximately 2.1 million at the turn of the century.) By 1922, elementary enrolment was approximately 600,000 and secondary enrolment excluding evening vocational classes was nearly 65,000. (Evening vocational enrolment was at 39,000 in 1927. (Provincial population had increased to 2.9 million). By 1934, in the depths of the depression, elementary enrolment had slipped from a peak in 1927 of nearly 640,000 to nearly 560,000 and secondary enrolment had increased to nearly 115,000 pupils. Vocational enrolment had slipped to 24,000 in 1934. The elementary numbers decline marginally to 1938 and the secondary enrolment increases to 122,000 in 1938.

The number of teachers in elementary schools had reached a plateau during the 1930s, around 17,300. By contrast, the number of secondary school teachers increased from 3,500 in 1930 to approximately 4,300 in 1932 and to 4,800 by 1938. As shown on Table 3, the number of secondary schools was increased marginally from 1927 to 1938 and the number of continuation schools and vocational schools varied marginally from 1927 to 1934. The number of elementary schools had been steadily increased to 1923. From then on, a plateau around 7,200 schools was reached during the 1930s. It would appear that from 1922 to 1927, some excess capacity had been built into the stock of elementary and secondary schools in the province.

² MacLean (1942) p.664

Municipal Finance, Municipal and Provincial Oversight of Municipal Borrowing in the 1930s

From Confederation to World War II, the principal revenue sources for Ontario municipalities were real property taxes, business taxes and provincial transfers. Taxes on real property varied around 77 to 79 per cent of total revenues from 1913 to 1937.³ (See Table 5) Provincial grants were increased by successive provincial governments largely to meet the pressures on municipalities to provide relief to the unemployed, consequently increasing the share in total revenues of transfers from 2.7 per cent in 1913 to 7.6 per cent by 1937. The Ministry data indicate that the peak taxes levied both in nominal dollars and in terms of per capita amounts was reached in 1931. The actual collections improved after 1932. In the years for which arrears data was aggregated and published by the Ministry, the total was at 50 per cent of current levy in 1934 and falling thereafter. (See Table 6). Per capita taxes remained relatively constant in nominal terms throughout the period but the real burden increased from \$434 per household in 1926 to \$561 in 1932 and declined to \$445 per household by 1939 (in 1971 dollars). (Urquhart and Buckley 1985, pp.304,305). (Gillespie 1991, p.283) (Table 7)

The growth in population and industrial output in Ontario after 1900 created the exigency to finance an expansion in public infrastructure.⁴ Drummond notes that “municipal securities mattered because so many towns and cities were incurring large capital outlays during the Great Boom. Many of these expenditures were connected with the building boom that was under way in Montreal, Toronto, and many other cities in Ontario and Quebec, as well as in the towns of

³. The data for this section has been drawn from Book III of the Report of the Royal Commission on Dominion-Provincial Relations. Further information has also been taken from the 1946 volume of Municipal Statistics. A full reconciliation of these data is beyond the scope of this project. However, the authors of the Royal Commission study note their use of the provincial figures. Furthermore, these are the data cited in both Urquhart (1965) and (1993) and Perry (1955).

⁴ From 1871 to 1901, the population of Ontario increased by over one-third; the urban share of the provincial total nearly doubled from 22 per cent to 43%. Subsequently, from 1901 to 1941, the total population increased from 2.1 million to 3.8 million. This increase was accommodated in the increasingly urbanized landscape, as by 1941, 61 % of the total provincial population lived in urban areas as a consequence of more than doubling the urban population during this interval. This population growth was concentrated in the industrial centres of the province, including smaller northern centres based on mining and pulp and paper mills. The geographic pattern of this growth during the boom period is described in Drummond (1987) who emphasizes the impact of the automobile industry on Ontario’s distribution of urban population.

western Canada, where, in addition, large outlays were occurring for the opening up of the Prairie wheat economy.”⁵

In Ontario, municipal needs for funds were met by the development of systems to market municipal bonds. The following describes the process and the path of the development of the municipal bond market.⁶

“Municipalities, also, borrowed very large amounts, thanks largely to the help of the bond houses, which generally bought up municipal issues and resold them. Municipalities and other local authorities generally borrowed by offering debentures for public tender. The practice began well before 1895, and seems to have been copied from the United States. Even the largest cities habitually sold their bonds this way. During the years for which statistics are available the total of Canadian municipal bond issues was \$399 million, of that nearly 30 per cent had been taken up in Canada. Even in 1913 – a year of stringency and the beginning of a recession- Canadians took up \$25 million in new municipal bonds. The elements of a municipal new-issue market had come into existence before 1870, largely through the copying of American techniques of advertisement, public tender and block sale. ...In 1909, a Canadian municipality could expect to receive about twelve bids for an offering of securities. ... Whichever institution was responsible for the distribution of a Canadian municipal issue, the process was entirely a private one. ... Bonds were not listed on any domestic exchange and the dealer had to sell each by private negotiation.”

The development of such a market suggests that investors perceived that municipalities had the ability to meet the repayment obligations, either from general taxation or from user fees. Platt (1982) notes that much of the local infrastructure was financed through local improvement charges to benefiting landowners. The risks involved in this form of tax finance became apparent during the course of the Depression as owners abandoned property rather than meet their tax and mortgage obligations.

Most early Ontario legislation concerning municipal borrowing was intended more to prevent abuse than either to support or control local actions.⁷ Municipalities were required to

⁵ Drummond(1987),p.330; Millward (2004) suggests a similar exigency in Europe at this time.

⁶ Drummond (1987) p.329 Viner's (1924, 1975)classic study provides a similar account.

⁷ For example, the original Municipal Corporations Act (1849) of the Province of Canada was intended in part to avoid further increases in the provincial debt by empowering local governments to tax, borrow and finance local improvements. When municipalities turned out to be unable to raise money on their own credit, a Consolidated

inform the government when they wanted to borrow beyond the statutory limit (when interest and sinking fund payments exceeded half the annual revenue of the municipality).⁸ As the twentieth century unfolded, however, provincial legislative control over local governments became much more extensive, particularly after the 1930s. Most provinces created departments of municipal affairs with extensive powers to supervise, influence and pass money to local governments. Explicit provincial control was extended over a wide variety of local government functions.⁹

In Ontario, the severe effects of the depression on both provincial and municipal finances led the provincial government to modify drastically the existing framework for the regulation of borrowing and financial administration.¹⁰ In the course of the 1930's, several significant legislative and policy initiatives were taken by the provincial government in an effort to cope with the collapse of municipal finances throughout the province.¹¹ In 1932, the Province established the Ontario Municipal Board (Board) combining functions of the Ontario Railway and Municipal Board and the Bureau of Municipal Affairs. (The Ontario Municipal Board Act, 1932 22 Geo. V. ch. 27).¹² This body was given extensive power to improve the quality of administration and financial reporting and to approve the borrowing of municipalities. The Board was given the power to validate the borrowing by-laws of municipalities, to consider the nature of the undertaking, the financial position of the municipality, its existing set of obligations and any other matters worthy of consideration. At this point, the application to the Board to

Municipal Loan Fund was created in 1852, from which municipalities could borrow to support transportation improvements. At least in official eyes, if not necessarily those of creditors, the debentures issued by this fund did not represent an increase in the public debt of the province since they were not secured by the Consolidated Revenue Fund. Piva, (1992) p.100.

⁸ Other provinces -- New Brunswick, Nova Scotia and British Columbia -- had almost no explicit legislation apart from some control over audit. Only the two new provinces, Alberta and Saskatchewan, had formal departments of municipal affairs with broad powers of supervision over finances, debt, and audit. John B. Taylor, (1991), pp. 478-500.

⁹ Buck, (1949), pp. 328-30.

¹⁰ See Tassonyi (1994).

¹¹ At the same time as the province was establishing a regulatory framework for municipal finance, it was also establishing a framework to control municipal relief efforts. Struthers (1990) noted that: By... 1937, Queen's Park had developed the capacity to regulate, audit, investigate, and inspect municipal relief administration and, indirectly, the lives and actions of the unemployed."

¹² The development of the Ontario Municipal Board's role in adjudicating planning and development is reviewed in Rust-D'Eye (1992) and in Chipman (2002).

secure the validity of a debenture by-law was a voluntary matter unless expressly provided for by law.

In 1935, more stringent powers were provided to the O.M.B.¹³ to control capital expenditures of all municipalities including local boards. The amount that could be borrowed in any year to meet current expenditures, statutory obligations and debt repayments could not exceed 70 per cent of the estimated revenues of the corporation as adopted for the year without Board approval. (S.339(2) Municipal Act R.S.O.1937) This limit had previously been 80 per cent for municipalities with populations greater than 100,000 and 90 per cent for the others but without Board approval being required. Section 306(2) of the Municipal Act had provided for a mill rate limit on the amount that taxes could be increased to service debt, thereby limiting new debt issuance but municipalities had tended to increase their real property assessments artificially to avoid the limit.

Regarding local improvement applications, the Board was to require that statement of arrears be furnished to indicate whether the land in question was capable of bearing any further burden. With respect to more capital expenditures that would be financed at large, the former Chairman of the Board indicated that: " the Board's concern, of course is with several factors which are elementary to all municipal officials in judging the wisdom of incurring further capital expenditures. Such factors are: the present debenture debt, the assessment, the tax rate, arrears of taxes, bank loan, and the percentage of current levy collected." (The same indicators figure prominently in the current Ontario regulations on municipal capital borrowing.) Cross also noted that: "No hard and fast rule has been laid down in connection with applications. The Board of course pays heed to the principle that the debenture debt should not exceed 12 % of the assessment, and when tax collections fall below 85% it is an indication that the burden of taxation has reached a point where danger may be threatened unless the burden is relieved or tax collection methods, if lax, be improved."

The Board was also given extensive powers of supervision over "defaulting" municipalities in Part VI of the Act. These powers were exercisable either at the request of council or by creditors of a municipality, representing not less than twenty per cent of the

¹³. This section is based on an address given by Cross in Chatham on January 31,1939. PAO, Dept. of Municipal Affairs, Minister's Office Files 1937-1940, Addresses- RG 19 a-1-B

indebtedness when in default or with high probability of default. The Board was also given the power to vest the administration of the municipality in a Committee of Supervisors, including council nominees, creditor nominees and an independent board-appointed chairman.

The Committee of Supervisors were provided with the authority to manage the financial affairs of the municipality including the collection of revenues, the making of expenditures, the establishment of the assessment rolls, the setting of tax rates, temporary borrowing and the disposal of assets. The Supervisors were also provided with the authority to consolidate indebtedness and to negotiate new terms with creditors. Any further borrowing was to be done with the approval of the Board. The statute also enshrined the further payment of monies to the county. This part of the statute also dealt with tax arrears. Authorization was provided to the supervisors to exercise compromises with ratepayers and to accept debentures of the corporation in payment of arrears. The Board also retained extensive powers to review the decisions of supervisors.

Municipalities in Crisis

The 1920's and early 1930's witnessed a significant increase in the indebtedness of municipalities. It has been suggested that the increase in debt outstanding in the 1930's is directly attributable to deficit financing and relief borrowing. (Goldenberg 1939, p.77). Bradshaw notes the impact of school board debt in Windsor in particular as this debt was wholly financed from the general tax rate (i.e. property taxation)¹⁴:

“\$4,393,905 or 56% of the whole of the debenture debt, which affects the general tax rate has been incurred for educational purposes and the debt charges represent 42% of all of 1932 debt charges entering into this year's 37 mill tax rate. It is important to appreciate that Windsor's main permanent debt has been incurred for education- an investment which undoubtedly is bearing heavily upon the taxpayers just now but which no doubt may justify itself in the future.”

He notes that while these obligations and expenditures may have been justified, an overburden has been created.

“Windsor may well be proud of her Public, Separate, Collegiate and Technical Schools. Speaking generally, they are well equipped and I understand that they are excellently directed and staffed, and that those in charge not only are efficient but take a deep pride in the performance of their duties. Perhaps it may not be too

¹⁴ Bradshaw (1933?)p.195

much to say that one of Windsor's most valuable assets is her educational facilities, but in my judgement she has advanced too rapidly- and incurred debts and overheads which are beyond the present capacity of the municipality. Turning to the relation of the schools to the general financial affairs of the municipality, it is found that 44% of the total taxes raised in 1931 was for education."¹⁵

The Rowell-Sirois Commission estimated that in 1921, the outstanding Ontario municipal debt was \$291.9 million. Within five years, this figure had been increased by a third (in nominal terms) to \$423 million with the peak noted above occurring during the next five years. (Table 5) The existence of this debt burden and the fixed costs of debt service during a period of falling property values, difficulties in the collection of revenue and expenditure pressures in other areas underlined the lack of flexibility in the municipal fiscal framework. Furthermore, the per capita real burden certainly increased and was largely funded by a tax, whose burden was also increasing in real terms. (Table 7)

The Ministry data suggest that the outstanding debt of the Ontario municipal sector peaked in 1932. (\$504.8 million) (Table 9) The Rowell-Sirois estimate for 1930 (\$511.7 million) is higher than the Ministry estimate.(Ontario Department of Municipal Affairs 1946 and Report of the Royal Commission on Dominion-Provincial Relations 1939)(RCDPR). In real terms, the net debt per household increased from \$1,515 per household in 1926 to \$1,974 by 1932. The figure declined to \$1,268 by 1939. (Table 9) Both sources indicate that considerable effort was taken to reduce outstanding indebtedness and to reduce new borrowing during the latter part of the decade. It is likely that this resulted from increased cost-sharing of expenditures on relief and capital projects, stricter provincial supervision of capital approvals for project financing and of debt repayment as well as reduced pressure on the capacity of the existing infrastructure.¹⁶

¹⁵ Ibid.

¹⁶ . As the Honourable Eric Cross, Minister of Public Welfare and Municipal Affairs, formerly the Chairman of the O.M.B. (1935-1937) noted in 1939: "Through control over municipal borrowing the brakes were put on our municipalities in providing relief funds by the issue of debentures. In a year or so all but three or four were on a cash basis. This year all were eliminated but one and I am hopeful that next year not one municipality in Ontario will borrow so much as a dollar for relief." Address to American Municipal Association, Nov. 14, 1940. PAO, Dept. of Municipal Affairs, Minister's Office Files, 1937-1940, Addresses-RG. 19 a-1-B.

Debt service and retirement increased from 21 per cent of total expenditures in 1921 to 26 per cent by 1937. (Table 10) Other than education, this occupied the largest share of municipal current expenditures. Education's share measured at the provincial level fell from 32.6 per cent in 1913 to 30.3 per cent in 1937. However, the significant decline took place in rural areas where the education share fell from 43.5 per cent to 28.4 per cent; by contrast, in Toronto, education's share increased; in Windsor, from 1921 to 1930, it fell and bounced up by 1937; and other urban areas, the share of education expenditure peaked in 1926. The provincial figures appear to be dominated by the Toronto level of the share and the rural decline.

The combination of increased debt service, an increased share of expenditures on public welfare, which went from 9.3 per cent in 1926 to 18.8 per cent in 1937, and a relatively constant responsibility to fund education resulted in municipalities having little discretionary room. In nominal dollars, expenditures on other items such as streets and roads or education either remained constant or fell in order to accommodate the other pressures.

Coincident with the rising levels of municipal debt and debt service payments in the 1930s, Ontario municipalities faced collapses in their property tax bases. Bradshaw (1933) indicates that in Windsor, where the Depression hit particularly hard on the local economy, "unpaid taxes for 1931 represented 41.5 per cent of the total taxes levied. Of total taxes levied in other leading Ontario municipalities in 1931, Kitchener had collected by the end of the year 91.4 percent, Peterborough 91.2 percent, Ottawa, 91 percent, Hamilton, 87.8 percent, Brantford 86.2 percent, and Toronto 83 percent. Per capita arrears in Municipal taxes were \$12.63 in 1928, \$18.04 in 1928, and reached \$38.85 in 1931. This last figure compares with \$4.48 for Kitchener, \$5.41 for Peterborough, \$5.65 for Ottawa, \$8.25 for Hamilton, \$8.40 for Brantford, and \$12.71 for Toronto."¹⁷

In 1931, these arrears represented 49 per cent of per capita total taxes in Windsor, 11 per cent in Kitchener, 13 per cent in Peterborough, 11 per cent in Ottawa, 20 per cent in Hamilton, 21 per cent in Brantford and 22 per cent in Toronto.

By August, 1934, over forty Ontario municipalities and school boards had defaulted on their obligations.¹⁸ The majority of the defaults had occurred during 1932 and 1933.¹⁹ When

¹⁷ Bradshaw(1933) p. 192.

¹⁸. A list of the approximately forty is printed in Bradshaw 1935, 123). This list is parallel to a similar list of "supervised municipalities" described in (Department of Municipal Affairs 1946,XIII)

defaults occurred, many of the municipalities were typically "working-class dormitory suburbs- i.e., the poorer residential districts of metropolitan areas". (RCDPR 1939, Book II, p.147).

Table 11 summarizes some of the common characteristics of the defaulting municipalities. As noted, "dormitory" or suburban municipalities around Toronto and Windsor, the border towns, towns dependent on lake shipping and single-industry municipalities dependent on the pulp and paper industry were vulnerable. It is worth noting that several separate school boards were also put under supervision. (These included the Brantford, Sandwich East, Sandwich, Sandwich West, East Windsor, Lasalle, Riverside and Tecumseh boards.) As Goldenberg notes, separate boards collected their own taxes²⁰ unlike the public boards. During the slump, clearly they were unable to do so. As noted, the obligation on municipalities to keep the finances of school boards whole put additional pressure on the ability of municipalities to stay solvent.

Bradshaw (1933)²¹ suggests that defaulting municipalities like Windsor suffered from a lack of diversification of revenues and insufficient economizing of expenditures: "It was surprising to me to learn that Windsor had no personal income tax- a tax which is very general in the more important Ontario municipalities. It is a source of considerable revenue and is regarded as both equitable and fair. I respectfully suggest that Windsor carefully look into this important source of revenue-which appears to me to have much merit and which would not discriminate against Windsor for the reason that the larger municipalities of the Province have adopted it. ... "That the City of Windsor, notwithstanding the action of Border municipalities, shall at the earliest possible time assess and levy, in accordance with the Act for personal income. It is understood that of all the Cities in Ontario, Windsor and East Windsor are the only Cities which do not obtain revenue from this source."

Contemporary opinion noted that the problems faced by municipalities during the 1930's were not entirely created by the downturn in the economy. One observer wrote: "The

¹⁹. The situation of Sturgeon Falls is described by Struthers (1990) as follows: "This northern Ontario company town of about 5000 people was in a hopeless position after Abitibi Pulp and Paper, its only major employer, closed down operations near the end of 1930. Two years later, the town found itself saddled with \$350,000 in debentured debt, three out of every four members of its population on relief, and a growing mountain of almost \$56,000 each year in unpaid tax levies. Beginning in July 1932 the provincial and federal governments agreed to pay 85 per cent of town's relief bills to stave off municipal default, but Ontario officials soon became horrified at the way the community was spending the province's money."

²⁰ Goldenberg(1939), p. 59.

consequences of extensive capital expenditure which could only be justified by the realization of great increases in population, cannot be overemphasized. The years 1927-29 were particularly productive of debenture indebtedness arising from local improvements designed to serve larger populations than then existed." (Macpherson 1935, p.325) . Uncontrolled development was also cited as a cause of municipal difficulty.

"The West is not the only part of the country where one may find miles of sidewalks, pavements and water mains with no or isolated houses, the result of the unrestricted imagination of some realtor, the simplicity of some purchasers and the gullibility of municipal councils. The local improvement debenture debt in some cases has exceeded 68 per cent of the total. ... The time may not be far distant when it will be legally impossible to sell any part of a sub-division until all the improvements are in and paid for." (Brittain 1934, p.389)

Brittain cited the Report of the Committee of Supervisors of the City of East Windsor, which noted: "The heavy capital expenditures for local improvements and schools, following a period of unwise real-estate speculation, were the main factors causing the present financial embarrassment of the city. Heavy additional tax charges which had to be levied against the properties benefited by the local improvements, and additional taxes for school purposes, proved so onerous that in many instances it was impossible for the ratepayers to meet them." ²²

²¹ Bradshaw(1933?) p. 202,214.

²² . The point was also reiterated in the Report of the Royal Commission on Border Cities Amalgamation.(1935, p.4-5).

"Supplementing the patriotic desire of the civic fathers to anticipate the requirements of the rapidly growing communities was the profit-gaining motive of the real estate speculator whose object was to have city services extended to the locality in which his subdivision area was located. His interest led to an exaggeration of the necessity for the opening of streets, laying of pavements and installing other services so he, the big speculator, could in this way more surely unload at a worthwhile profit, his holdings on the little speculator. City and town councils were too easily imposed upon by propaganda emanating from such interested sources to enter on unnecessary undertakings under the local improvement system whereby vast debts were contracted under the assumption that the general taxes reaped from the subdivisions would more than take care of the corporation's share of the improvements and that the owner's share would be met by the special frontage tax.

The real estate boom having collapsed it has now developed that much of this land has ceased to pay any taxes whatsoever and has had to be taken over by the municipalities and is now lying barren, unproductive and unsaleable, the burden of both the corporation's and owner's share of local improvement debt thus falling on the overburdened shoulders of the general taxpayer.

To summarize the situation with respect to municipal services, it may be stated that in the area with a population of 100,000 persons, there are services fully or partially provided sufficient for a

The abandonment of property was not just an issue in the Canadian context. Field has suggested that uncontrolled land development that took place during the 1920's hampered the recovery from the depression in the United States by virtue of the "physical and legal detritus" left behind. (Field 1992, p.785)

Shoddy administrative and budgetary practices also created some of the default situations. Adequate provisions for uncollectible taxes were not made. Property was often overassessed and tax due dates were set late in the year creating forced reliance on banks for short-term loans. The Director of the Citizen's Research Institute of Canada noted: "A municipal system which cannot bear up under strain is not adequate. Municipalities in time of fair weather should prepare for storms, by conserving, so far as possible the tax paying power of their citizens and by giving as few hostages to fortune as possible by keeping very close to a pay-as you go policy." (Brittain 1934, p.392).

The Depression also served to highlight the inadequacies of the existing division of responsibility among governments and their access to revenues. The impact of meeting the relief needs was particularly felt in the suburbs of manufacturing towns and in single-industry towns in northern Ontario. As unemployment increased in these areas, the tax base being used to fund relief projects also began to lose its value and the ability of property owners to pay the increasing real burden of taxes was severely impaired.²³

The 1939 Royal Commission described the fundamental problems of municipal finance as follows:

"the size of the municipal unit in metropolitan and rural areas is, in very many cases, no longer economic or in keeping with administrative efficiency; that local needs no longer determine municipal functions and that many functions, essentially provincial, are still left with, or have been imposed on, the municipalities; that municipal revenues are in many cases far from adequate to support municipal functions; that there is almost universal complaint across Canada of undue, or inequitable, taxation of real estate, though the complaints are

population of 200,000 a large percentage of which will, in all probability, be depreciated to the point of extinction without having served any useful purpose.

²³. The intergovernmental effort to provide relief during the depression years and aspects of the policy response to the mass unemployment situation that prevailed from 1929 to 1940 are discussed in Riendeau (1979); Struthers(1983, 1991, and 1992), Taylor(1979) and MacKinnon(1990).

not always well-founded; that although the total of municipal debt has not risen substantially through the depression, the credit of many "one-industry" municipalities, working-class "dormitory suburbs" of metropolitan areas, and metropolitan communities generally, has been severely strained, and even destroyed in some cases, because of relief costs". (RCDPR 1939, p.149).

The Commission also recommended provincial regulation of the borrowing powers of municipalities with a view to assure conservative capital financing. These views are distinctly similar to the recommendations of the Advisory Committee to the Minister of Municipal Affairs on the Provincial-Municipal Financial Relationship which reported fifty years later.

Education Finance in the Slump

Public school boards determined the amount of tax to be raised and the municipalities had the responsibility to levy the rate, collect the tax and pay over the full amount of the levy, whether collected or not. Thus, school board finances would be expected to have remained whole, in spite of the collection difficulties faced by municipalities during the slump. Ontario municipalities in the 1930s faced falling revenues, rising debt service payments and in some cases, increased supervision over spending by the provincial government. In addition, demand for secondary schooling increased in the 1930s adding further pressure to educational finance. The question that remains to be answered is what impact these developments had on education expenditures in Ontario in the 1930s.

During the late 1920s and the early 1930s in Ontario, personal income fell more than expenditures and revenues devoted to public education. Thus, the percentage share of income devoted to public education actually increased in the depths of the Great Depression and returned to pre-depression levels at the end of the 1930s. (Table 13) (These numbers are based on indicators suggested by Lindert (2004)). This suggests that municipalities were unable to radically to redirect their taxing and spending efforts. Despite the economic circumstances of the 1930s, there is no evidence that the province allocated additional funds to relieve the pressure on the local tax base. (See Table 1). Bradshaw (1932) recommended cuts to education spending as solution of Windsor's financial crisis:

“In view of Windsor's heavy obligations, it is strongly recommended that consideration be given to a possible curtailment, commencing immediately, of expenditures by all the school boards in connection with their operations. As

mentioned in connection with other Civic undertakings, it is urgent that a careful survey be made, with the object of endeavouring to effect, as from say 1st of July, a reduction of 10% on the unexpended amount of the budget of all schools.”²⁴

Goldenberg suggests that school expenditures were crowded out in the 1930s:

“The impact of the depression with increased social service expenditures and decreased revenues has borne with special severity upon school budgets in many areas. School properties and equipment have been neglected, teachers’ salaries drastically reduced, and inequalities aggravated. Almost all schools have remained open, but the quality of education has necessarily suffered. The full effects of the foregoing may not be felt for some years.”²⁵

The Ministry of Education’s data show operating expenditures including capital charges \$28.4 million in 1930 on elementary schooling, falling to \$25.4 million in 1935 and then increasing to \$26.5 million in 1937 and to \$27.4 million in 1938. Capital outlays went from \$4.8 million in 1930 to \$525,000 in 1935 and then increased to \$1.5 million by 1938. By contrast operating outlays on secondary schools remained stable. (Table 2). Capital outlays on secondary schools were drastically cut from 1930 to 1938 falling from \$5.0 million to \$500,000. After accounting for price deflation in the 1930s, operating expenditures for elementary schooling increased throughout the 1930s in constant purchasing power terms.

Goldenberg numbers show the drastic impact of the depression on school finances in Manitoba, Saskatchewan and Alberta. In Ontario, the aggregate revenue decline is relatively less than elsewhere but on a per pupil basis, the decline is more comparable in magnitude to the other provinces. This is consistent with the evidence from the departmental information that the number of pupils increased from 1930 to 1936. In 1930, education revenue from taxes and grants was estimated at \$47.4 million, falling to \$43.4 million by 1933 and to \$40.5 million in 1935 in Ontario; this translated into a revenue per pupil in average daily attendance from \$80 in 1930 to \$67 in 1935.²⁶ In 1992 purchasing power, however, per pupil expenditures increased from \$734 to \$770 between 1930 and 1935. In 1992 purchasing power, total revenues in 1935 were lower than 1933 revenues, but higher than they were in 1930. This decline was also

²⁴ Bradshaw(1933)p.202.

²⁵ Goldenberg(1939) p.51

²⁶ To put these numbers into perspective, Ontario’s numbers per pupil were twice the level prevailing in the Maritimes and equal to those in Alberta. Saskatchewan experienced a decline from \$80 per average daily attendance in 1930 to \$45 by 1935. However, by 1938, the Ministry data show tax and grant revenues totalling \$46.1 million.

reflected in a per capita decline from \$14 to \$11 between 1930 and 1935 which in 1992 purchasing power suggests that per capita expenditures were constant.

In 1930, the total of teacher's salaries was estimated at \$29.4 million. By 1933, this had fallen to \$27.4 million. (Goldenberg, 1939, p.53). By 1938, the Ministry data show a total of \$28.9 million, a reduction from the level prevailing at the beginning of the decade. In constant purchasing power terms, however, expenditures on teachers salaries increased between 1930 and 1933 declining only slightly by 1938. The Ministry data also show that other expenditures totalled nearly \$19.4 million in 1938 having increased from a 1921 base of \$17.7 million. In 1921, salaries totalled \$19 million. This aggregate picture may largely reflect the condition of teachers salaries in urban Ontario. Goldenberg shows that rural schools in Ontario drastically reduced salaries per teacher as compared to urban schools. Secondary salaries were also substantially reduced per teacher compared to the reductions in elementary schools. (See Table 12) While the number of teachers remained relatively stable; from 1927 to 1934, primary salaries fell; secondary salaries were lower from 1932-1934 by \$1.1 m on a \$9 million base. (See Table 3)

Conclusion

Ontario Municipalities in the 1930s faced considerable financial pressures and constraints as to how they would address their financial crises. Education expenditures represented a large share of municipal property tax revenues. In nominal terms, elementary and secondary schooling expenditures were reduced through the 1930s, and in particular, capital expenditures. In constant purchasing power terms, however, per pupil expenditures in Ontario increased in the 1930s particularly through increases in expenditures on salaries. While there has been a great deal of emphasis on the role of debt service payments and rising relief expenditures as creating the municipal financial crisis in Ontario in the 1930s, the commitment of municipalities to financing schooling in the 1930s has not been examined.

The story of the crisis in local government finance in the 1930s in Ontario is consistent with many facets of the crisis in American state finances in the mid 19th century and more formal analyses of the transition from a soft budget constraint to a hard budget constraint in the recent literature on intergovernmental finance literature. Ontario municipalities were affected by

a serious external shock that compromised their ability to collect taxes and local improvement charges necessary to service debt and meet other mandatory funding responsibilities. In other cases, over-optimism led to the building of excess capacity in infrastructure or the locally designed administrative rules governing budgetary and tax practices were inappropriate. The consequence was the intervention of the provincial government with specific work out rules and a minimum of financial assistance. The rules governing taxation and debt issuance were made harder and hierarchical.

The Province could also have taken on greater responsibility for the funding of education and in making decisions on spending. At a minimum, increased transfers might have relieved pressure on the local tax base or made debt servicing less onerous in the supervised municipalities. Differences in the municipal fiscal capacity to deliver education services could have been reduced. The province also did not place explicit controls on the level of taxation applicable to education. Whether, in fact, a greater provincial fiscal presence would have resulted in an enhancement of the resources devoted to education or simply a redistribution from richer to poorer areas is, of course, unknown. Given the political landscape, such a result could have been possible had a centralizing policy been pursued.

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Appendix

Table 1. Revenue Sources for Funding Public Education

Table 2. Expenditures on Public Education

Table 3 Attendance, Teachers, Schools and Salaries

Table 4. MacLean Census Monograph Study

Table 5. Municipal Debt and Revenues

Table 6. Assessment, Taxation and Arrears

Table 7. Municipal Expenditures

Table 8. Debt and Debt per Household

Table 9. Category Expenditures as Per Cent of Total Expenditures

Table 10. Defaulting Municipalities

Table 11. Average Salary per teacher

Table 12 Income and School Finance

Table 1. Revenue Sources for Funding Education in Ontario								
	Public/Separate Public and Separate Schools				Secondary Secondary Schools			
	Legislative Grant	Municipal School Grants & Assessments	Clergy Reserves Other	Total	Fees	Provincial Grants	Local & County Assessments	Total Receipts
1902	383,666	3,959,912	1,422,924	5,766,502	105,801	112,650	614,402	832,853
1912	842,278	9,478,887	3,936,887	14,258,052		209,956	1,727,043	2,414,129
1920	1,612,837	18,766,800	9,413,521	29,793,158		176,159	2,833,386	4,065,055
1925	3,401,863	24,690,293	12,670,626	40,762,782		391,925	5,329,075	8,489,399
1930	3,753,499	29,291,821	14,801,474	47,846,794		472,655	7,726,706	12,929,308
1935	3,013,917	24,163,260	6,406,558	33,583,735		441,344	6,823,060	8,793,399
1937	3,776,570	26,842,731	4,699,202	35,318,503		654,713	7,218,235	9,073,448
1938	4,419,300	27,599,151	4,568,502	36,586,953		862,363	6,520,568	9,473,766
Continuation								
	Provincial Grants	Local & County Assessments	Other	Total Receipts	Provincial Grants	Local & County Assessments	Other	Total Receipts
1902								
1912								
1920	113,879	324,720		438,599	140,294	340,914		1,788,999
1925	184,385	678,683		863,068	743,427	1,778,559		2,521,986
1930	228,673	891,085		1,119,758	1,191,252	4,046,576		5,237,822
1935	174,764	630,791		805,555	1,162,925	4,331,084		5,494,009
1937	192,374	622,099		814,473	1,020,405	4,533,528		5,553,933
1938	224,437	678,092		902,529	1,213,279	4,644,134		5,857,411
Secondary								
	Provincial Transfers	Total Taxes	Other	Total	Total Education Provincial Transfers	Total Taxes	Total Other	Total Education Revenues
1902	112,650	614,402	105,801	832,853	496,316	4,574,314	1,528,725	6,599,355
1912	209,956	1,727,043	0	1,936,999	1,052,234	11,205,930	3,936,887	16,195,055
1920	430,332	3,499,020	0	3,929,352	2,043,169	22,265,820	9,413,521	33,722,510
1925	1,319,737	7,786,317	0	9,106,054	4,721,600	32,476,610	12,670,626	49,868,830
1930	1,892,580	12,664,367	0	14,556,947	5,646,079	41,956,188	14,801,474	62,403,744
1935	1,779,033	11,784,935	0	13,563,968	4,792,950	35,948,195	6,406,558	47,147,703
1937	1,867,492	12,373,862	0	14,241,354	5,644,062	39,216,593	4,699,202	49,559,857
1938	2,300,079	11,842,794	0	14,142,873	6,719,379	39,441,945	4,568,502	50,729,820

Table 2									
Education Operating Expenditures							Capital Outlays		
	Primary Public and Separate			Secondary			Elementary		
	Salaries	Other	Total	Salaries	Other	Total			
1902	3198	1627	4825	547	223	770			
1912	6110	5163	11273	1233	720	1953			
1920	13070	12147	25217	2269	956	3225	4793		
1925			33299			6425	4043		
1930			33199			8136	4753		
1935			29379			7801	525		
1937			30554			8154	1317		
1938	19380	12765	32145	5376	3461	8545	1494		
	Continuation			Vocational			Secondary		
	Salaries	Other	Total	Salaries	Other	Total	C.I. & H.S.	Contin.	
1902									
1912									
1920	318	120	438	456	775	1231	364	35	
1925			895			3045	1464	207	
1930			1103			4933	2056	174	
1935			876			5191	236	40	
1937			895			5558	159	32	
1938	594	346	940	3604	2176	5780	293	158	
	Secondary			Education Total			Vocational		
	Total			Salaries	Other	Total		Total	Sec.
	Salaries	Other	Total						
1902	547	223	770	3745	1850	5595			
1912	1233	720	1953	7343	5883	13226			
1920	3043	1851	4894	16113	13998	30111	117	516	
1925			7320			40619	320	1991	
1930			9239			42438	3167	5397	
1935			8677			38056	38	314	
1937			9049			39603	226	417	
1938	9574	6577	16151	28954	19342	48296	174	625	

Source: Ontario Department of Education Reports

Table 3
Attendance, Teachers and Schools in Ontario- 1867-1938

	Elementary				Secondary					Teachers	Pupils			
	Schools	Teachers	Pupils		Total	Schools	Cont.	Voc.	Total	Voc.	Vocation		Population	
			Public	Separate						Eve	Eve	Eve	Eve	
1867	4422	4890	382,719	18,924	401,643	102				159		5,696		
1872	4661	5476	433,256	21,406	454,662	104				239		7,968		1,620,851
1877	5140	6468	465,908	24,952	490,860	104				280		9,229		
1882	5203	6875	445,364	26,148	471,512	104				332		12,348		1,926,922
1887	5506	7594	462,839	30,373	493,212	112				398		17,459		
1892	5889	8480	458,553	37,466	496,019	128				522		22,837		2,114,321
1897	5914	9128	453,256	41,620	494,876	130	44	174	623	26,008				
1902	6062	9631	420,094	45,964	466,058	134	63	197	679	26,662				2,182,947
1907	6268	10200	413,510	51,502	465,012	143	107	250	890	35,075				
1912	6452	11128	429,030	61,297	490,327	148	138	286	1143	44,796				2,527,292
1917	6651	12762	458,436	70,048	528,484	162	137	11	310	40,117				
1920	6801	13869	489,660	76,881	566,541	168	144	13	325	45,362				
1921	6901	14404	503,769	83,977	587,746	170	160	14	344	48,545				2,933,662
1922	6945	14872	515,202	88,546	603,748	175	181	16	372	2029	1097	64,519	33,511	
1925														
1927	7150	16346	535,691	101,072	636,763	197	217	42	456	3160	1276	94,284	39,096	
1932	7188	17340	484,896	101,552	586,448	207	220	67	494	4280	1173	119,794	33,860	3,431,683
1933						208	219	59	486	4175		112,259		
1934	7190	17335	465,171	101,591	566,762	212	220	60	492	4279	813	114,736	23,803	
1935						222								
1937														
1938	7230	17561	453,182	104,466	557,648	227	205	64	496	4840		121,697		

Table 4. School Attendance (MacLean Census Monograph)

	Share of 5-19	School Proportion	
		5-19	Total Population
Canada	31.29	65.67	20.81
Ontario	28.26	69.63	20.04
Percentage of School-Age Population in Schools			
	7	11	14
Canada	86.97	97.18	83.33
Ontario	90.86	98.22	90.4
School Attendance 5-19 years			
1931	Total	Attendance	%
Canada	3,242,054	2,128,907	65.67
Rural	1,615,122	1,002,700	62.08
urban	1,626,932	1,126,207	69.22
Ontario	970,087	675,446	69.63
Rural	403,181	260,865	64.70
Urban	566,906	414,581	73.13
1921 Canada	2,761,092	1,694,430	61.37
Rural	1,478,847	858,748	58.07
urban	1,282,245	835,082	65.17
Ontario	837,604	534,339	63.79
Rural	374,554	225,780	60.28
Urban	463,050	308,559	66.64
"7-14	Total	Not in School	
1931 Canada	1,636,358	74,758	1,561,600 95.43%
Ontario	501,528	15,659	485,869 96.88%

**Table 5
Municipal Debt and Revenues**

	Outstanding Debt				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	51,057	132,818	209,006	252,267	222,699
Windsor	1,540	11,489	26,572	38,024	35,138
Other Urban	69,984	126,264	155,573	182,662	163,006
Rural	8,767	21,365	32,310	38,697	27,105
Total	131,348	291,936	423,461	511,650	447,948

	Real Property Taxes				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	8,751	22,679	27,201	34,385	38,920
Windsor	449	2,364	4,627	7,169	3,937
Other Urban	12,860	29,889	36,780	43,026	45,224
Rural	9,011	19,126	22,663	24,951	19,664
Total	31,071	74,058	91,271	109,531	107,745

	Income Taxes				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	2,121	2,615	0		
Windsor					
Other Urban	1,000	1,100			
Rural					
Total	3,121	3,715			

	Other Taxes				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	1250	4500	2979	4085	4100
Windsor	50	210	450	475	390
Other Urban	1750	4000	4050	4600	4060
Rural	110	250	275	325	210
Total	3,160	8,960	7,754	9,485	8,760

	Total Taxes				
	1913	1921	1926	1930	1937

	\$'000's				
Metropolitan					
Toronto	10,001	27,179	32,301	41,085	43,020
Windsor	499	2,574	5,077	7,644	4,327
Other Urban	14,610	33,889	41,830	48,726	49,284
Rural	9,121	19,376	22,938	25,276	19,874
Total	34,231	83,018	102,146	122,731	116,505

	Licences, Permits, Fees				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	1,375	700	850	825	869
Windsor	19	125	175	210	150
Other Urban	737	1,175	1,450	1,700	1,200
Rural	300	200	400	700	600
Total	2,431	2,200	2,875	3,435	2,819

	Public Utilities Contribution				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto			753	465	624
Windsor			480		
Other Urban		470		510	440
Rural					
Total		470	1,233	975	1,064

	Other Current Account Revenue				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	914	1,300	1,600	1,675	1,298
Windsor	5	90	100	250	300
Other Urban	994	1,650	2,100	2,400	1,950
Rural	510	1,500	1,700	1,900	1,700
Total	2,423	4,540	5,500	6,225	5,248

	Total Revenue Current Account				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	12,290	29,179	35,504	44,050	45,811
Windsor	523	2,789	5,352	8,104	4,777
Other Urban	16,341	37,184	45,860	53,336	52,874
Rural	9,931	21,076	25,038	27,876	22,174
Total	39,085	90,228	111,754	133,366	125,636

Revenue: Provincial Grants

	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	69	200	400	1060	2033
Windsor	5	40	100	125	178
Other Urban	408	650	1635	1855	3008
Rural	614	1931	4407	5259	5038
Total	1,096	2,821	6,542	8,299	10,257

	Grand Total Revenues				
	1913	1921	1926	1930	1937
	\$'000's				
Toronto	12,359	29,379	35,904	45,110	47,844
Windsor	528	2,829	5,452	8,229	4,955
Other Urban	16,749	37,834	47,495	55,191	55,882
Rural	10,545	23,007	29,445	33,135	27,212
Total	40,181	93,049	118,296	141,665	135,893

	Real Property Taxes as Per Cent of Revenue				
	1913	1921	1926	1930	1937
Toronto	70.81	77.19	75.76	76.22	81.35
Windsor	85.04	83.56	84.87	87.12	79.46
Other Urban	76.78	79.00	77.44	77.96	80.93
Rural	85.45	83.13	76.97	75.30	72.26
Total	77.33	79.59	77.15	77.32	79.29

	Grants as Per Cent of Revenue				
	1913	1921	1926	1930	1937
Toronto	0.56	0.68	1.11	2.35	4.25
Windsor	0.95	1.41	1.83	1.52	3.59
Other Urban	2.44	1.72	3.44	3.36	5.38
Rural	5.82	8.39	14.97	15.87	18.51
Total	2.73	3.03	5.53	5.86	7.55

Source: Rowell, N. & J. Sirois, (1939) Report of the Royal Commission on Dominion-Provincial Relations.

	Table 6. Assessment, Taxation and Arrears
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		Assessed	Value	Taxation		Levy per			
Year	Population	Amount	Per Capita	Total Levy	Per Capita	Assessment	School Levy	%	Per Capita
		\$'000's	\$	\$'000's	\$	%	\$'000's	of levy	
1926	2,941,437	2,806,911	954.27	102,146	34.73	3.64	34,088	33.37	11.59
1927	2,966,465	2,862,920	965.09	106,076	35.76	3.71	35,001	33.00	11.80
1928	3,021,618	2,914,934	964.69	110,811	36.67	3.80	36,200	32.67	11.98
1929	3,065,251	3,013,863	983.24	115,787	37.77	3.84	37,847	32.69	12.35
1930	3,141,633	3,126,533	995.19	122,731	39.07	3.93	39,738	32.38	12.65
1931	3,194,243	3,183,152	996.53	128,657	40.28	4.04	42,122	32.74	13.19
1932	3,239,437	3,207,396	990.11	126,835	39.15	3.95	38,717	30.53	11.95
1933	3,257,666	3,163,733	971.17	120,431	36.97	3.81	36,005	29.90	11.05
1934	3,275,228	3,016,011	920.86	116,257	35.50	3.85	35,003	30.11	10.69
1935	3,321,618	3,000,836	903.43	117,466	35.36	3.91	34,557	29.42	10.40
1936	3,350,139	2,919,359	871.41	117,888	35.19	4.04	36,252	30.75	10.82
1937	3,377,832	2,919,267	864.24	116,505	34.49	3.99	37,944	32.57	11.23
1938	3,394,228	2,933,420	864.24	116,390	34.29	3.97	39,200	33.68	11.55
1939	3,443,135	2,968,046	862.02	114,255	33.18	3.85	39,297	34.39	11.41
	Tax	Collection		Tax	Arrears		Households	Tax	Real
	Amount	%	Per Capita	Amount	%	Per Capita		Per Hhld	Tax Per
	\$'000's								HHLd
1926	96,703	94.67	32.88				653,653	156.27	355.16
1927	103,427	97.50	34.87				659,214	160.91	371.62
1928	107,450	96.97	35.56				671,471	165.03	380.25
1929	116,693	100.78	38.07				681,167	169.98	387.21
1930	120,628	98.29	38.40				698,141	175.80	403.20
1931	122,317	95.07	38.29				742,847	173.19	439.58
1932	121,284	95.62	37.44				753,357	168.36	470.28
1933	116,920	97.08	35.89				757,597	158.96	467.54
1934	117,893	101.41	36.00	58,188	50.05	17.77	761,681	152.63	441.13
1935	122,109	103.95	36.76	53,757	45.76	16.18	772,469	152.07	436.97
1936	121,826	103.34	36.36	47,428	40.23	14.16	779,102	151.31	426.23
1937	120,503	103.43	35.67	41,932	35.99	12.41	785,542	148.31	405.22
1938	118,930	102.18	35.04	38,728	33.27	11.41	789,355	147.45	398.51
1939	117,271	102.64	34.06	35,459	31.03	10.30	800,729	142.69	388.80

Source: Comparative summary Data from Annual Report of Municipal Statistics-1946
Department of Municipal Affairs; Gillespie (1991) p.283 (\$1971) for real tax deflator

**Table 7
Municipal Expenditures:**

	Net Debt Service				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	2,390	4,700	5,750	7,900	6,811
Windsor	70	525	1,200	1,925	779
Other Urban	2,990	6,110	7,300	8,800	7,550
Rural	560	1,365	1,900	2,200	1,440
Total	6,010	12,700	16,150	20,825	16,580
	Education				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	2,386	6,600	8,250	10,235	11,428
Windsor	128	635	1,100	1,730	1,363
Other Urban	4,862	9,940	14,833	15,805	14,080
Rural	3,853	7,175	18,318	6,831	5,872
Total	11,229	24,350	32,501	34,601	32,743
	Public Welfare				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	1,002	4,500	4,400	6,300	8,799
Windsor	14	75	375	640	936
Other Urban	787	3,900	3,538	6,400	8,252
Rural	347	1,000	1,000	1,500	2,350
Total	2,150	9,475	9,313	14,840	20,337
	Streets & Roads				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	950	2,500	2,900	3,405	2,219
Windsor	100	350	500	495	278
Other Urban	1,650	3,500	3,982	5,200	4,300
Rural	2,500	6,979	7,350	8,700	6,752
Total	5,200	13,329	14,732	17,800	13,549

	All Other Expenditures				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	3,600	8,500	10,000	11,000	9,091
Windsor	125	350	1,300	1,800	1,048
Other Urban	4,500	9,300	11,300	11,500	10,423
Rural	1,600	4,500	5,200	6,000	4,268
Total	9,825	22,650	27,800	30,300	24,830

	Total Expenditure Excluding Debt Retirement				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	10,328	26,800	31,300	38,840	38,348
Windsor	437	1,935	4,475	6,590	4,404
Other Urban	14,789	32,750	40,953	47,705	44,605
Rural	8,860	21,019	23,768	25,231	20,682
Total	34,414	82,504	100,496	118,366	108,039

	Debt Retirement				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	910	2,400	3,900	5,700	7,216
Windsor	30	250	700	1,475	0
Other Urban	1,305	3,150	4,450	5,906	6,975
Rural	230	550	1,025	1,750	1,450
Total	2,475	6,350	10,075	14,831	15,641

	Grand Total				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	11,238	29,200	35,200	44,540	45,564
Windsor	467	2,185	5,175	8,065	4,404
Other Urban	16,094	35,900	45,403	53,611	51,580
Rural	9,090	21,569	24,793	26,981	22,132
Total	36,889	88,854	110,571	133,197	123,680

	Grand Total: Revenues				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	12,359	29,379	35,904	45,110	47,844
Windsor	528	2,829	5,452	8,229	4,955
Other Urban	16,749	37,834	47,495	55,191	55,882
Rural	10,545	23,007	29,445	33,135	27,212
Total	40,181	93,049	118,296	141,665	135,893

	Surplus (Deficit):				
	Including Grants & Debt Retirement				
	1913	1921	1926	1930	1937
	\$'000's				
Metropolitan					
Toronto	1121	179	704	570	2280
Windsor	61	644	277	164	551
Other Urban	655	1934	2092	1580	4302
Rural	1455	1438	4652	6154	5080
Total	3292	4195	7725	8468	12213

Source: Rowell, N. & J. Sirois, (1939) Report of the Royal Commission on Dominion-Provincial Relations.

Table 8							
		Debenture Debt			Sinking Funds		
			% of assessed			% of	
Year	Population	Amount	value	Per Capita	Amount	value	Per Capita
		\$'000's	%	\$	\$'000's	%	\$
1926	2,941,437	413,475	14.73	140.57	57,044	2.03	19.39
1927	2,966,465	434,464	15.18	146.46	61,798	2.16	20.83
1928	3,021,618	435,913	14.95	144.26	63,575	2.18	21.04
1929	3,065,251	445,770	14.79	145.43	57,757	1.92	18.84
1930	3,141,633	485,280	15.52	154.47	60,020	1.92	19.10
1931	3,194,243	499,002	15.68	156.22	60,065	1.89	18.80
1932	3,239,437	504,756	15.74	155.82	58,690	1.83	18.12
1933	3,257,666	494,434	15.63	151.78	57,028	1.80	17.51
1934	3,275,228	483,952	16.05	147.76	56,611	1.88	17.28
1935	3,321,618	461,653	15.38	138.98	56,834	1.89	17.11
1936	3,350,139	431,546	14.78	128.81	58,294	2.00	17.40
1937	3,377,832	425,744	14.58	126.04	59,829	2.05	17.71
1938	3,394,228	404,291	13.78	119.11	61,670	2.10	18.17
1939	3,443,135	388,202	13.08	112.75	63,323	2.13	18.39
	Net Debt			Net Debt	Net Debt		
		% of assessed		Per	Per		
	Amount	Value	Per Capita	Household	Household		
	\$'000's	%	\$	\$	\$1971		
1926	356,431	12.70	121.18	545.29	1514.70		
1927	372,666	13.02	125.63	565.32	1570.33		
1928	372,338	12.77	123.22	554.51	1540.32		
1929	388,013	12.87	126.58	569.63	1582.31		
1930	425,260	13.60	135.36	609.13	1740.38		
1931	438,937	13.79	137.42	590.88	1790.56		
1932	446,066	13.91	137.70	592.10	1973.68		
1933	437,406	13.83	134.27	577.36	1924.53		
1934	427,341	14.17	130.48	561.05	1870.17		
1935	404,819	13.49	121.87	524.06	1746.86		
1936	373,252	12.79	111.41	479.08	1545.42		
1937	365,915	12.53	108.33	465.81	1455.66		
1938	342,621	11.68	100.94	434.05	1356.41		
1939	324,879	10.95	94.36	405.73	1267.90		

Source: Comparative Summary Data from Annual Report of Municipal Statistics-1946

Department of Municipal Affairs

The implicit GNP price index is from Gillespie (1991) p. 283

Table 9
Category Expenditures as % of Total Expenditures

	Net Debt Service				
	1913	1921	1926	1930	1937
	%	%	%	%	%
Metropolitan					
Toronto	23.1	17.5	18.4	20.3	17.8
Windsor	16.0	27.1	26.8	29.2	17.7
Other Urban	20.2	18.7	17.8	18.4	16.9
Rural		6.3	6.5	8.0	8.7
Total	17.5	15.4	16.1	17.6	15.3
	Education				
	1913	1921	1926	1930	1937
	%	%	%	%	%
Metropolitan					
Toronto	23.1	24.6	26.4	26.4	29.8
Windsor	29.3	32.8	24.6	26.3	30.9
Other Urban	32.9	30.4	36.2	33.1	31.6
Rural	43.5	34.1	35.0	27.1	28.4
Total	32.6	29.5	32.3	29.2	30.3
	Public Welfare				
	1913	1921	1926	1930	1937
	%	%	%	%	%
Metropolitan					
Toronto		9.7	16.8	14.1	16.2
Windsor		3.2	3.9	8.4	9.7
Other Urban		5.3	11.9	8.6	13.4
Rural		3.9	4.8	4.2	5.9
Total		6.2	11.5	9.3	12.5
	Streets & Roads				
	1913	1921	1926	1930	1937
	%	%	%	%	%
Metropolitan					
Toronto		9.2	9.3	9.3	8.8
Windsor		22.9	18.1	11.2	7.5
Other Urban		11.2	10.7	9.7	10.9
Rural		28.2	33.2	30.9	34.5
Total		15.1	16.2	14.7	15.0

	All other Expenditures				
	1913	1921	1926	1930	1937
	%	%	%	%	%
Metropolitan					
Toronto	34.9	31.7	31.9	28.3	23.7
Windsor	28.6	18.1	29.1	27.3	23.8
Other Urban	30.4	28.4	27.6	24.1	23.4
Rural	18.1	21.4	21.9	23.8	20.6
Total	28.5	27.5	27.7	25.6	23.0

Source: Rowell, N. & J.Sirois (1939) *Report of the Royal Commission on Dominion-Provincial Relations.*

TABLE 10 Defaulting Municipalities -1932-1941						1939
Municipality	Characteristics				Default	% of Pop.
	Suburban	Motor City	Pulp Town	Border	Date	Relief
Etobicoke	X				1/6/1933	9.5
Mimico	X				1/3/1933	12.6
New Toronto	X				1/10/1933	11.9
Scarborough	X				15/12/1932	14.5
North York	X				1/12/1933	9.2
Weston	X				1/7/1934	3.4
York	X				1/10/1933	14.9
Leaside	X	x			1/1/1933	
East York	X				1/10/1933	13.5
Niagara Falls				x	12/1/1933	13.6
Thorold			x	x	1/9/1934	6.7
Fort Erie				x	1/8/1934	7.9
Eastview/Vanier	X					16.9
Sudbury					1/10/1933	4.8
Kingsville		x			6/1/1934	
Essex		x			1/2/1933	
Windsor		x		x	1/12/1932	12.1
Ford City	X	x				
Amherstburg	X	x		x		
Lasalle	X	x		x	1/2/1932	
Riverside	x	x		x	1/12/1931	9.3
East Windsor	x	x		x	1/12/1931	
Sandwich	x	x		x	01-Feb-32	
Sandwich E	x	x		x		11.0
Sandwich S	x	x		x	1/12/1931	
Sandwich è	x	x		x	1/12/1931	
Walkerville	x	x		x	1/9/1934	
Pelee				x		
Tecumseh					1/1/1932	
Dysart					1/12/1932	
Pt. Edward				x	31/12/1933	
Trenton					1/1/1934	14.8
Leamington					1/9/1934	1.0
Hawkesbury			x		1/10/1932	29.0
Clarence					1/9/1933	4.5
Pembroke			x		1/3/1934	7.7
Midland						22.8
Collingwood						16.3
Penetang						
Blind River						
Calvert						

Sturgeon Falls		x		1/9/1933	
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Table 11 Average Annual Salary per Teacher

	Rural			Urban		
	1930	1936	% reduction	1930	1936	% reduction
Public Schools	1036	740	29	1499	1471	1
Separate	889	760	15	762	715	6
High				2188	1759	20
Collegiate Institutes				2688	2449	9

Source Goldenberg, 1939,p.54

Table 12 Income and School Finances

	Ontario Personal Income \$ millions	Expenditures % on primary		Total Education Revenues	% of Income
1926	1553				
1927	1647			47.7	2.90%
1928	1770				
1929	1896				
1930	1802	33	1.83%	62.4	3.46%
1931	1554				
1932	1271			49.8	3.92%
1933	1200			44.6	3.72%
1934	1329			43.6	3.28%
1935	1419	29	2.04%	47.1	3.32%
1936	1490				
1937	1679	31	1.85%	49.6	2.95%
1938	1693	32	1.89%	50.7	2.99%
1939	1773				
1940	2057				
1941	2529				

Leacy series F91-102