POST-SECONDARY EDUCATION IN CANADA: THE ROLE OF THE CANADIAN GOVERNMENT

BY

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A Thesis submitted to the Faculty of Graduate Studies of the University of Manitoba in partial fulfillment of the requirements for the degree of

MASTER OF PUBLIC ADMINISTRATION

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Canada

Sir John A. Macdonald once confided to Ryerson that the subject of education had been "withdrawn from the control and supervision of the General Government ... unwisely as I always thought" [1]

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1. Johnson, Henry, A Brief History of Canadian Education, p. 118.

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THESIS

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Title

Post-Secondary Education, the Role of
the Canadian Government

Student

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PREFACE

The purpose of this paper is to further the understanding that we have of the environment with which governments, interest groups, concerned individuals and ordinary citizens must contend when dealing with post-secondary education in Canada, by identifying and explaining the role of the federal government in relation to education within the Canadian Confederation.

The development of Canadian education was conditioned by two basic factors; historic precedents and its immediate environment. Our schools, in the early part of our history, were reflections of those of our ancestors' European homelands, as were the beginnings of post-secondary education. However a country's educational system is an inseparable part of its social, political and economic history; consequently, our schools gradually took on the hues of our developing society. Post-secondary education took on increasing relevance with the ever-increasing scientific

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and technological needs of our industrial and post-industrial society. Post-secondary institutions were therefore expected to play a leading role in the betterment of Canadian society.

There are certain essential qualities that seem to distinguish Canadian post-secondary education. One of these has been the tolerance toward religious minorities extended in the early stages by the provinces . Another has been a certain innate conservatism which tends to restrain the enthusiasm for radical innovations in post-secondary education until (and often well beyond) the time when their worth has been proven in other countries. Canadians also tend to be a very practical people. Canadians seem to be more concerned that education should train one for an economically productive life than it should develop the contemplative scholar.

One of the major determinants involved in this arena has been the federal government. This descriptive/explanatory paper will therefore examine the role of the federal government in Canadian post-secondary education. The paper will attempt to show that the federal government will, over time, continue to maintain, if not increase its influence in this key sector of public policy.

This research is divided into four major areas of interest. The first part will concern itself with an historical analysis of post-secondary education policy in Canada, starting with a review of the French period and the Pre-Confederation British Colonial era. The British North America (henceforth referred to as the

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Constitutional Act, 1867) Act will be reviewed to try to establish the areas of responsibility for education of each level of government and to clarify the rationale used to establish the divisions of legislative power associated with post-secondary education up to the First World War. In this section, the consequences associated with residual powers of government (i.e. responsibilities not specifically allocated to the provinces) will be discussed. It is suggested that the residual power of the federal government and its constitutionally mandated spending powers provide the legal justification for its post-Confederation role in some aspects of post-secondary education.

The second part of this paper will document the involvement of the federal government in post-secondary education for the interwar period, including the events leading to the Royal Commission on Dominion-Provincial Relations (Rowell-Sirois Commission).

The third part of the paper will discuss the period from World War II to the Fiscal Arrangements Act of 1967. The Royal Commission on National Development in the Arts , Letters and Sciences (Massey Commission) published in 1951 will be referred to in this section. The Fiscal Arrangements Act of 1967 will end this section, as it was introduced by the Pearson government to help provincial governments shoulder the increasing cost of post-secondary education and to achieve the national goal of the development of a productive labour force.

The final section will document the trends in the involvement

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of the federal government in post-secondary education that have been consistent through recent administrations, regardless of political affiliation. This section will include a review of the position of the present federal government on post-secondary education and its current initiatives.

INTRODUCTION

Section 93 of the Constitution Act, 1867 states that a provincial legislature, "may exclusively make laws in relation to education" [2]. From the inception of Confederation, provincial officials were poised to play an important role in all matters of education, including post-secondary education. They developed legislation and regulations, as well as educational policies to meet this mandate. Whether the Constitutional Act, 1867 allocated enough taxing powers to provide for sufficient provincial revenues to maintain and expand the universities according to their present needs, and support at the same time other burgeoning responsibilities, is a moot point [3]. This, is an issue which arises throughout the history of the funding of post-secondary education in Canada.

Although the federal government does not dispute that the constitutional responsibility for education fundamentally rests with the provinces, it has nevertheless sought to play a number of complementary or supporting roles in the field of post-secondary education. Some condone this involvement, stating that the federal government has only become involved in this field when, "numerous economic and social factors have prompted the Government of Canada

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[2]. B.N.A. Act, Section 93.

[3]. Woodside, Willson, The University Question - Who Should Go? Who Should Pay?, p. 152

to offer provincial governments assistance in this area." [4], or offering, "the federal government's commitment to education as an important means of achieving Canada's social and economic goals." [5] A more neutral position is that, "despite many inhibiting factors the federal government has found ways and means of making significant contributions to education." [6] At the other end of the scale are those who condemn federal government involvement, noting that, "B.N.A. Act or no B.N.A. Act, the Federal Government has been dabbling in education for half a century." [7] or stating that, "Federal support must not be allowed to replace provincial responsibility." [8]. In their book, The Great Brain Robbery, Bercuson, Bothwell and Granatstein,

> ... do worry about the implications of the course the government is setting out on now. Big Brother is alive and well in Ottawa, poking his television lens and sensor into every corner, encouraging research here, and turning a blind eye there. If the judgements were made only on the grounds of quality, we could not complain. But government funding decisions seem to be based more and more on what Ottawa thinks best for us all. There is an

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4. Honorable Benoit Bouchard, Secretary of State of Canada, First Annual Report, Federal and Provincial Support of Post-Secondary Education in Canada, 1984-85, p. 2.

5. Department of the Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada, a Report to Parliament, pp. 685-686.

6. Katz, Joseph, Education in Canada, p. 30.

7. Woodside, Willson, The University Question - Who Should Go? Who Should Pay?, p. 154.

8. Ibid., p. 158.

> element of social engineering here that is unhealthy, and academics as a rule have little confidence in the bureaucrats who operate the federal system.[9]

There is extensive evidence uncovered in the development of this thesis pointing to both the importance of provincial autonomy as it concerns post-secondary education and, conversely of federal support for it. Thus, there will be references to federal-provincial relations as they relate to post-secondary education funding, along with the accompanying morass of fiscal entanglements. The main focus will be federal funding of post-secondary education.

The Constitutional Act, 1867 also made provisions for the national government to be involved with the education question. Section 91 of the Act gave the Parliament of Canada "exclusive legislative authority" over such things as the Armed Services and the education of their dependents, Native Indian Populations, the Yukon and Northwest Territories, penitentiaries and the census and statistics.[10] It also provided considerable leeway for the further involvement of the Federal Government, as the term "education" was left undefined.[11] This lack of precision

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9. Bercuson, David J., Bothwell, Robert, and Granatstein, J.L., The Great Brain Robbery - Canada's Universities on the Road to Ruin, p. 116.

10. Department of the Secretary of State of Canada. Federal and Provincial Support to Post-Secondary Education in Canada, a Report to Parliament, p. 2.

11. B.N.A. Act, Sections 31 and 32.

and the provision in Section 91 of the Constitution Act, 1867 granting the federal Parliament the main residual powers to legislate enabled the federal government to claim a legal obligation, if not a right, to intervene in post-confederation developments in the post-secondary education field. [12]

While post-secondary education is a vital element in the development of Canada and its people, Canadians have yet to agree fully on how to define post-secondary education and to enshrine it in law. For the purpose of this thesis, it will encompass not only programs and research activities of universities leading to recognized degrees, diplomas and certificates but also many other educational programs in non-university institutions such as community and regional colleges, CEGEP'S (College d'Education Generale et Professionnele), technical institutes,hospitals and schools of nursing. To be considered as post-secondary, programs in college-level institutions must essentially meet certain criteria: they require high school graduation for admission, they must be of a duration of at least one school year, they must lead to a certificate or diploma, and they are not classified as trade or vocational. It should be noted that this definition is the common ground agreed upon by all levels of government to describe post-secondary education at this point in our history, but that

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[12]. B.N.A. Act, Section 91.

different definitions were used prior to 1984. [13] Such differences will be clearly indicated in this paper, when applicable.

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[13]. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, p. ii.

SECTION I

Pre-1867

> The trend of development in education has by no means been constant from decade to decade or even from one part of the country to another, but it has nevertheless been moving steadily upward. [14]

There have been, in the evolution of post-secondary education in Canada, several factors that have contributed to the unique combination of characteristics and problems which make up Canadian post-secondary education today. Throughout history, as far back as the early histories of the countries the Europeans settlers came from, geographic, economic, and cultural factors have contributed to the development of Canadian places of learning.

To the first settlers coming from "civilized" and relatively small countries, Canada must have been a formidable experience, given, among other factors, its size and "wildness". As stated by Gordon Stewart in his History of Canada Before 1867, "From the beginning of their history, European Canadians - whether French or British - have had to be keenly aware of the powerful forces of geography that have made nation building an arduous enterprise." [15] Egerton Ryerson, the "father of grade school" evidently had similar feelings. One of the primary building blocks in Ryerson's

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14. Flower, George E., "Education" - a Chapter out of The Canadians 1867 - 1967, p. 585.

15. Stewart, Gordon, A History of Canada Before 1867, p. 1.

philosophy concerning schools in Canada was that programs should promote nationalism and social stability, and that part of that task lies in the promotion of a strong central authority. [16]

Several cultures affected the growth of Canadian universities. American, English and French influences are widely in evidence [17] yet, but among the European influences, one was dominant, "the most pervasive influence of all has proven to be the Scottish." [18] Around 1860, the Canadian university had already developed definite characteristics which differentiated it from institutions in the several countries that provided the models for its first half-dozen degree-granting institutions, whereas prior to 1850, Canadian universities were simply transplants from these countries. [19]

> While acknowledging these European and American influences, no one could really mistake Canadian universities for either English, American or French. Perhaps their most Canadian quality is our propensity to borrow ideas wherever good ones were to be found. [20]

Many of the French colonists who came to Canada in the seventeenth century were not men of learning, but they had a feeling for culture that must be distinguished from the knowledge

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16. Macdonald, Neil Gerard, Egerton Ryerson and His Times, p. 279.

17. Johnson, Henry F., A Brief History of Candian Education, pp. 183-184.

18. Woodside, Wilson, The University Question, p. 3.

19. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. xix.

20. Johnson, Henry F., A Brief History of Canadian Education, p. 184.

that comes from books. "They brought with them common sense, good judgement, a methodical sense of organization and the will to construct a life better than the one they had known in their native land." [21] This made for a good foundation on which to build places of learning.

Rene de Rouault, Marquis de Gamaches (1609-1639), a Jesuit novice, convinced his father to devote part of his inheritance to the foundation of a Jesuit college in Quebec. In 1635, the Jesuits fulfilled the conditions of the bequest and two classes were opened under the direction of Father Paul LeJeune and professors Charles Lalemant and Jean de Quen. [22] The College de Quebec, as it was called, closed its doors in 1768, after the English conquest.

French literature, which flourished during the seventeenth and eighteenth centuries, was far from unknown in Canada. The libraries at the Seminaire and at the College de Quebec had several copies of the works of Descartes, Pascal, Boileau, Corneille, Moliere, Racine and Bossuet. The plays that were fashionable at Paris and Versailles were much appreciated by teachers and students in Quebec, showing a keen interest for matters of the mind.[23]

The period of greatest contact with colonial education, no doubt accounting for the strong British influence, was the late eighteenth and early nineteenth centuries. This "age of

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[21]. Wilson, J., Canadian Education: A History, p. 21.

[22]. Le Jeune, Louis, Dictionnaire Generale du Canada.

[23]. Wilson, J. Canadian Education: A History, p. 22.

colonization" was from 1760-1840. Although emigration from the British Isles continued after 1840, transatlantic influence on education in British North America began to lessen after this date.[24]

The origins, academic customs and many traditions of modern Canadian universities may be traced to Oxford University, the first English university, founded in 1167 by a group of students which had emigrated from Paris, as well as Cambridge University, founded in 1209 and other universities of medieval Europe.[25]

In the early eighteenth century, certain characteristics of English education were readily apparent. There was little thought of state responsibility for the provision of education. This produced two main results: the Church of England was able to assert its claim to monopoly rights in colonial education, and the tradition was established that all education should have a religious base.[26]

If anyone is to be called the father of university education in Upper Canada, it is John Graves Simcoe, the colony's first Lieutenant Governor. He tried to persuade the British Government to establish a university in the colony's capital, claiming that it would properly educate the country's leaders and lessen the danger of young men going for their higher education in the United States where they might become corrupted by the "pernicious influences" of

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24. Ibid., p. 24.

25. Ibid., p. 25.

26. Ibid., p. 27.

republicanism and democracy. He was not successful in getting his university, but his efforts were partially rewarded by the land grant of 1798 which set aside 540,000 acres of land for the support of grammar schools and a university. 225,000 acres in Toronto were allotted to the future university. [27]

There is no more mention of universities until the 1820's when John Strachan put his mind to opening an Anglican-controlled university at York called King's College. (As a small aside, Strachan was a proponent of the racial open-mindedness which Canadian universities can boast of today. He urged endorsement of the law which "made no distinction and recognizes no preference". [28]) King's college was granted a Royal Charter in 1827, but the doors of the college did not open until 1843. [29]

By 1843, there were three other universities in operation, all denominational: the Roman Catholic Regiopolis College at Kingston, the Methodist Victoria College at Cobourg with Ryerson as its principal and the Presbyterian Queen's College at Kingston. Although denominationalism in university development was destined to increase rather than abate, the first serious attempt to establish a secularized university was made as early as 1843. [30]

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[27]. Ibid., p. 226.

[28]. Strachan to John Macaulay, Aug. 9, 1838, Educational Papers, V, item 597.

[29]. Wilson, J., Canadian Education: A History, p. 227.

[30]. Ibid., p. 227.

This will be referred to shortly. 1852-1867 was designated by John Moir as "the war of total separation", when controversy raged as to whether or not schools should be segregated by denomination. This applied to schools at all levels. [31]

University development in the 1840's was defined by three main protagonists: John Strachan, the founder of King's College, expected it to grow in prominence and its constitution to remain unaltered; Egerton Ryerson, the principal of Victoria College before becoming Superintendent of Education for the province, objected to the Anglican domination of King's College and to its monopoly of the land endowment - he wanted to retain "non-sectarian" religious and secular education in the same institution, ideally a University of Upper Canada; Robert Baldwin, the reform politician, stood for a purely secular provincial university with no religious instruction.

In 1843, Baldwin introduced a bill to create a University of Toronto which was to be the only degree-granting institution in Upper Canada. The time was ideal, as no earned B.A. degree had been granted to date in the province. Regiopolis, Queen's, Victoria and King's were to become constituent colleges teaching divinity. The University was to take over the King's College endowment and the Colleges were to be supported by funds from the Clergy Reserves. The bill had definite advantages, as it gave

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[31]. Titley, E. Brian, and Miller, Peter J., Education in Canada - An Interepretation, p. 83.

something to everyone. Unfortunately for Baldwin, the Government resigned late in 1843 before the bill could be passed.

In 1845, W.H. Draper, leader of the Tory government that followed, introduced a similar bill. His university at Toronto was to be called the University of Upper Canada and students were to attend the constituent college of their denomination. Despite the fact that this gave more privileges to the Church of England, Strachan and his Anglican supporters did not want to see the King's College endowment tampered with. Their opposition helped to kill the bill which was withdrawn after second reading. At the same time a further complication was added by the 1843 schism in the Kirk of Scotland which led to the secession of the Free Church and the founding in Toronto of Knox College.

A last attempt at a compromise was made by John A. Macdonald in 1847. He let go the idea of making one central university. King's would be allowed to retain its land in Toronto, but the annual proceeds of the remaining King's endowment would be divided among the four existing colleges (excluding Knox) with King's receiving twice as much as each of the others. The bill gained the support of some Anglican members of the assembly and Egerton Ryerson and the Wesleyan clergy , but Strachan and other Anglicans still claimed that the Church of England had the sole right to control the endowment. The Free Church Presbyterians and those who wanted secular university education also opposed the bill and it was eventually withdrawn. Macdonald's proposal was the antithesis

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of a strong provincial university plan; it would have entailed perpetual denominational control of higher education.

While the argument was in process, an act of incorporation for a new Anglican university named Trinity College passed by the legislature in 1851 and the following year, a Royal Charter issued.

Trinity College opened its doors in 1852. The same year, Bishop de Charbonnel, the Roman Catholic prelate of Toronto, initiated St. Michael's College as the Roman Catholic answer to the new university. [32]

The act of 1849 only remained in force for four years until a modified statute was passed under the premiership of Francis Hicks. This bill of 1853 introduced some features that still characterize the university. The institution became solely an examining body, and the teaching in the Arts was assigned to a new college, University College. Arrangements were made for the various colleges to affiliate, indicating a swing back towards denominalization. Because Queen's and Victoria never sent any candidates up for examination, the affiliation scheme became dormant and University College became in reality the University of Toronto. The endowment was left undivided; any revenue left over after defraying the expenses of the university and University College was to go to the affiliated colleges. There never was a

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[32]. Wilson, J., Canadian Education: A History, pp. 227-228.

surplus, however; building University College took care of that. As Macdonald commented: "Even Methodists can't steal bricks and mortar." [33] Hicks' modified statute was in effect until the Constitutional Act, 1867.

Throughout the next nine years, the denominational colleges focused on getting the money from the endowment that they considered their due. The legislative grants they received were so small that the colleges were to a large extent forced to rely on voluntary contributions. This situation was highly unsatisfactory and Egerton Ryerson and the Wesleyan Methodists demanded that an investigation be conducted. The resulting commission came up with a report which, if implemented, would have restored position and influence to the denominational colleges at the expense of the provincial university. It was never implemented because of the fall of the Cartier-Macdonald government and the pressure of a revived University Senate and of the graduates on the new John Standfield Macdonald Sicotte government. The university settled down to twenty-five years of quiet development before further controversy broke out. [34]

Meanwhile the various denominational colleges had a struggle to maintain their existence. Provincial grants had been given to Victoria from 1842, reaching $5,000 per annum in 1860; to Queen's

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[33]. Wallace, W.S., A History of the University of Toronto 1827-1927, p. 72.

[34]. Wilson, J., Canadian Education: A History, pp. 228-229.

from 1845; to Regiopolis from 1847; Bytown College (University of Ottawa) from 1852; St. Michael's College (Toronto) from 1855; Trinity College received its first provincial grant in 1864. Despite financing difficulties, denominationalism in higher education increased. In 1857, the Canadian Literary Institute in Woodstock opened its doors. This college was united with the Toronto Baptist College in 1887 to form McMaster University. Three other colleges were founded during these years: the Methodist Episcopal Church began Belleville College which became Albert College, and the Evangelical group of the Church of England founded Huron College in London in 1863 (the genesis of Western University founded by charter in 1878) and Wycliffe College in Toronto in 1877. The last two were opened in response to High Church Trinity College. [35]

Mechanics Institutes began prior to 1867 and are a good example of an effective assessment of the needs of developing industry and commerce and thereto the significance of further education. Mechanics were defined as clerks, tradesmen and working men in general. At these institutes, which sprang up throughout Upper Canada, lectures were provided on all manner of subjects and reading material was also made available. The lofty goals are laid out in the following address, which indicates the liberal humanitarian aims of the mid-nineteenth century:

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[35]. Ibid., p. 229.

> To the young mechanic, the advantages of connecting himself with the Institute are great, not only as a means of acquiring a more perfect knowledge of Arts and Sciences, but also as a means of securing him against the temptations to which the youth of our city [York] are exposed, by opening to him the way to rational enjoyment, which cannot fail to strengthen his virtue while it mingles instruction with amusement.[36]

By 1892, there were 268 Mechanics Institutes in Ontario. Three years later, a provincial act converted them into either free municipal public libraries or association libraries under fee-paying private control.

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[36]. Toronto Public Library, Address of the Mechanics' Institute of Montreal to the Mechanics of this City.

1867-1918

Confederation

As mentioned earlier, the Constitutional Act, 1867 originally assigned virtually the entire responsibility for education to the provinces. With the passing of the Act, the new Ontario government announced that all grants to denominational institutions would be cut off after 1868, an action which produced financial difficulties for the institutions and put many of them on the brink of closing down. [37]

The period in the Canadian history of education between 1867 and 1910 saw a gradual "settling" in the curriculums of post-secondary educational institutions, particularly universities. Given that the majority of early universities were established as church institutions, theology had, of course been prevalent. Schools of Medicine were gradually accepted as an integral part of the universities. Traditional thinking prevailed longer when it became a question of extending the role of the university into such professional areas as engineering and agriculture. [38] During the nineteenth century, reliance on the methods of natural science and on human investigation increasingly replaced reliance upon super-natural faith and purely introspective methods of inquiry. Science was not totally new in Canadian higher education. In the earlier period, the teaching of science had been largely

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[37]. Titley, E. Brian, and Miller, Peter J., Education in Canada - An Interpretation, p. 79.

[38]. Wilson, J., Canadian Education: A History, p. 330.

descriptive rather than experimental. By World War I, what had previously been lumped together as "natural history" was divided into botany, zoology, physiology and a number of other "natural sciences". What had formerly been thought of as "natural philosophy" was broken into astronomy, physics, chemistry, geology, and other "physical sciences". Science then also crept into the study of man in society. The new "social scientists" began to look for natural and human explanations for human behaviour rather than divine intervention in man's affairs. What had previously been "moral philosophy" was now subdivided into such subjects as history, political science and economics. [39]

Canadian universities in the 1870's were, for the most part, small residential colleges under the control of the various religious denominations. The faculties of arts and theology held places of prime importance. There was question, however, as to how long the small, residential, usually church-run colleges could last. Even at this time, natural science was assuming a position of increasing importance. This was a change that would "shatter the old classical curriculum, threaten the prestige of the liberal arts and weaken the denominational hold on Canadian universities." [40] A noteworthy point relating to these colleges at this time was that

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[39]. Ibid., p. 329.

[40]. Ibid., p. 329.

they contained the best libraries. [41]

In 1876, the Royal Military College of Canada was established in Kingston, Ontario. [42] This was the first example in Canadian history of federal financial involvement in post-secondary education. Federal responsibility for defence and the requisite military preparations were the sole reasons given for the establishment of the college. [43]

In the period between 1880 and 1920, university development was steady but not spectacular. Attempts were made, both in Ontario and the Maritimes, to amalgamate the various sectarian colleges. Some success was achieved with the University Federation Act of 1887, which was intended to establish, under the University of Toronto, a confederation of colleges: Victoria University moved from its Cobourg campus to become an integral part of the University of Toronto; St. Michael's, a Roman Catholic college dating from 1852, joined Toronto, and in 1904, Trinity also became part of the flock. Several universities chose to remain autonomous: Queen's was developing successfully under its principal, George Munro Grant, Western Ontario, which originated in 1863 as Huron College, chose independence, and McMaster, chartered

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41. Johnson, Henry F., A Brief History of Canadian Education, p. 72.

42. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 21.

43. Ibid., p. 40.

in 1887, followed suit. [44]

A unification attempt in the Maritimes met with failure. It was suggested that a University of Halifax be established according to the University of London model, but this was rejected. St. Dunstan's college in Prince Edward Island, founded in 1885, received its charter as a university in 1917. [45]

In 1872, Laval University, founded in 1858, turned down state assistance for establishing a course in applied science. [46] The establishment of this university was the subject of a controversy that raged for several years between church authorities in Quebec, Montreal, Trois Rivieres and Rome. In 1880, the pope decreed that Laval should set up a "branch" in Montreal (Laval University at Montreal). While its dependence on Laval University lasted twelve years, it is only in 1920, that the University of Montreal was granted a Provincial Charter. [47]

The end of the 1800's included several noteworthy benchmarks: the west was characterized by provinces which had their own provincial universities - established and for the most part supported by the provincial government, these were non-sectarian

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44. Johnson, Henry F., A Brief History of Canadian Education, p. 91.

45. Ibid., p. 91.

46. Maheux, Arthur, "P.J.O. Chauveau, promoteur de sciences", from Memoires de la Societe Royale du Canada, 1963, pp. 87-104.

47. Wilson, J., Canadian Education: A History, p. 347.

and enjoyed a provincial monopoly in granting degrees [48]; the doors to Canadian universities have been open to women since the 1880's - prior to this, attending university was a privilege reserved for men; the curricula of the eastern universities changed with the times - traditional classical studies were superseded by science, a change which coincided with the scientific and technological advancements present at the end of the nineteenth century. [49]

In the period between 1880 and 1920, federal government involvement began gradually and, as will be evident, increased gradually as the years progressed. The next example of a federal incursion into what was intended to be an area of provincial jurisdiction [50] occurred in 1885, when a federal statute authorized the granting of 150,000 acres of Crown land in Manitoba as an endowment source. [51] (This act emulates the United States Land Grant Model). The land was to be used for capital expenditure on site and buildings or for the establishment of a fund, the income

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48. Johnson, Henry F., A Brief History of Canadian Education, p. 92.

49. Johnson, Henry F., A Brief History of Canadian Education, p. 91.

50. Peitchinis, Stephen G., Financing P.S.E. in Canada, p. 21.

51. Ibid, p. 24.

from which was to be used for current purposes. [52] The University of Manitoba was somewhat different than the other western universities. Established in 1877, and modelled after the University of London, it existed purely as an examination and degree-conferring body. There was a single paid official (the registrar) as the institution received a provincial grant of $250. All the teaching was conducted at different denominational colleges which, as a confederation, formed the university. These were St. Boniface College (Roman Catholic), St. John's College (Anglican), and Manitoba College (Presbyterian). In the 1890's, the university was allowed to do some teaching, which was increased to full teaching authority after the need for increased scientific work was met with the revision of the University Act in 1900. [53]

The 1880's were marked by a general improvement in Canada's economic position and a consequent increase in the financial support for higher education. This was particularly evident at Dalhousie, McGill and Queen's, where during the decade, substantial private donations provided for the establishment of endowed chairs at all three institutions and at the latter two, for construction of new buildings.

The legislative act of 1853 restricting the powers of the

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52. MacKenzie, "Federal Aid to Education, with Particular Emphasis to Higher Education" (mimeograph in AUCC Library, Ottawa.)

53. Johnson, Henry F., A Brief History of Canadian Education, p. 100.

University of Toronto to the conducting of exams and the granting of degrees was declared obsolete in 1887, when a new act authorized the university to become a teaching institution once again. By 1890, it possessed fully operative faculties of arts, law and medicine and had affiliation arrangements with schools of agriculture, dentistry and engineering. [54]

Since Confederation, numerous developments led to the growing presence of the federal government in education. One major change is industrialization in the early part of this century. At this time, it became apparent that the provinces would not be able to bear the financial burden of post-secondary education without either substantive changes in federal-provincial tax arrangements or federal assistance.

The demand for those public services clearly falling within provincial jurisdiction had been rapidly increasing, yet the financial capacity of the provinces remained relatively limited. Consequently, if the provinces were to meet their obligations in relation to public services generally, and at the same time sustain the high rate of spending on post-secondary education, alternative sources of funds had to be found. Because of the magnitude of the funds involved, it had been traditional to look to the federal government as potentially the most suitable alternative. [55]

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[54]. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. xix.

[55]. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 45.

As the years being studied progress, one sees a gradual trend in Canadian universities toward favouring the scientific/practical. James McNaughton, a visiting Scottish professor at Queen's, wrote in 1903, "...This practical side may perhaps be called the distinguishing feature of Canadian universities as compared with those of the old land." [56]

In 1902, Principal Gordon of Queen's University, upon having opened a new engineering school, supported the new addition with the following: "The technical school, by constantly directing its aim along practical lines has, in some degree, compelled the university to measure its work by new tests, to apply new standards of value to lines of study." [57] Technical schools will be discussed at length further along in the thesis.

Further evidence of the trend toward more pragmatic fields of study is in the faculties which were offering courses of study when Bishops University was granted a university charter in 1853. By 1905, the faculties included Medicine, Arts and Technology. [58]

An economic depression slackened progress in the 1890's, but the period of 1900-1914 was a relatively buoyant one. This was largely because of heavy immigration which transformed Toronto and Montreal into sizeable cities and opened up the prairies.

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[56]. McNaughton, James, "Student Life in Canadian Universities", p. 366.

[57]. "Annual Report of the Principal", Queen's Quarterly, X, No. 4, pp. 487-488.

[58]. Wilson, J., Canadian Education: A History, p. 348.

An example of indirect federal government involvement in post-secondary education is the establishment of government agencies related to university courses and long-term projects. The Geological Survey, initiated in the 1840's, is such an agency. A Mines Branch parallel to the Geological Survey was started in 1907.[59] From 1899 to 1907, a "portable" laboratory was operated each summer at various locations on the Atlantic coast and in the mouth of the St. Lawrence River in which professors and students from the universities involved carried out research. In 1908, a permanent station was established at St. Andrew's, New Brunswick - the Atlantic Biological Station. The same year, the Pacific Biological Station was established at Nanaimo, British Columbia. Prior to this, a Georgian Bay biological station had been launched by a $1500 grant by the Department of Marine and Fisheries in 1901. By 1920, the Department had also established a laboratory at Ottawa.[60]

Virtually the first action of the legislatures of the provinces of both Alberta and Saskatchewan, which were created in 1905, was the establishment of provincial universities and, more importantly, the provision of adequate financial support for their construction and operation.[61] The University in Alberta opened its doors in 1908, and the University in Saskatchewan had its opening a year later (Saskatchewan had previously attempted to

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59. Ibid., p. 321.

60. Ibid., p. 321.

61. Ibid., p. xx.

establish a university in 1883 and 1903, without success.). These universities were very similar to each other in structure, as were the ideas of the presidents of each. They both saw, "the part which the provincial university would play in developing both the resources of the country and the minds of its people - a dual function." [62] As Walter C. Murray, the president of the University of Saskatchewan, expressed in his first annual report:

> Naturally, in a new country, where the struggle for the means of living is keen, the schools of practical science are regarded as the necessaries of higher education, and the schools of liberal arts or humanities, as the luxuries. In time, however, men will come to emphasize not so much the means of living as the manner of life ... If our University is to serve the province in the things that abide, it should provide both the schools of science, where mastery over nature is taught, and the school of the humanities where men learn the purpose of life and the art of living. It should conserve the best of the past and meet the needs of the future. [63]

After an unsuccessful attempt to establish a provincial university in British Columbia in 1890, arrangements were made with McGill University which led to the establishment of affiliated colleges of McGill in Vancouver and Victoria. From 1899 to 1915, these colleges offered the preliminary years of the McGill degree. The University Act of 1908 allowed the incorporation of a provincial university which took over in 1915 from the McGill College. "McGill, B.C." closed down, bequeathing its temporary

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62. Johnson, Henry F., A Brief History of Canadian Education, p. 101.

63. Ibid., p. 102.

buildings in Vancouver as well as most of its faculty and students to the new university. The University of British Columbia's first president was Dr. Frank Fairchild Wesbrook, previously Dean of Medicine at Minnesota. [64]

The constitutionality of federal involvement in education was first raised in relation to the appointment in 1910 of a Royal Commission dealing with industrial training and technical education. Although the federal government assured the provinces that the purpose of the Commission was to assemble information regarding "the needs and present equipment of the Dominion in respect to industrial training and technical education", some of the provinces demonstrated suspicion. Ontario approved the appointment on the understanding that the Commission would be "solely for the purpose of gathering information"; and Quebec's Premier declared:

> We are of the opinion ... that anything pertaining to public education - whether the subject be separate teaching or general teaching - belongs to the provinces exclusively ... [let] there be no misunderstanding on that point. As, on the other hand, ... the federal authorities, in instituting a Commission of Investigation, would simply do it with a view to help the provincial governments, by having collected information which they would later on put at the disposal of the latter we see no objection to the appointment of such a Commission. [65]

On the other hand, the Premier of Saskatchewan took an entirely

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64. Ibid., pp. 102-103.

65. Quotation from Quebec's reply to a statement made by the Prime Minister at the opening of the Federal-Provincial Conference, October 24, 1966. (Translation)

different view of the matter:

> ... the federal government is the proper authority to proceed in the matter in the way proposed; that it is a subject which can be more efficiently, economically and effectively dealt with by the central government than by the various provincial governments; and in addition that, inasmuch as industrial training and technical instruction indirectly affect trade and commerce, these branches of education ought to be viewed from the national rather than from the provincial standpoint. [66]

Although the federal government made some financial contributions to higher education prior to 1900, the participation which led to the establishment and development of many existing programs began with the appointment of the Royal Commission on Industrial Training and Technical Education in 1910. The Commission was established in response to continuous pressure throughout most of the decade from 1900 to 1910 from labour, management and other groups across Canada. Although the Commission was concerned with technical training at the elementary and secondary levels, rather than with post-secondary education, its recommendations and their enactment into the Technical Education Act of 1919 are widely regarded as the beginning of federal contributions to post-secondary education. [67]

Educational development in French Canada after 1875

In French Canada, all levels of education, except possibly

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66. Canada, Royal Commission on Industrial Training and Technical Education, Report of the Commissioners, Parts I and II, pp. viii ff.

67. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 34.

vocational training, were greatly influenced by the Catholic Church. Up until the beginning of the 1900's there were vehemently bitter arguments against state intervention.

Several issues divided Quebec. One was the establishment of a Catholic university at Montreal, independent of Laval University at Quebec. Another concerned the Ministry of Public Instruction that had been abolished in 1875. The Liberal government of Felix-Gabriel Marchand, introduced a bill in 1897 to reinstate the ministry. Msgr. Paul-Napoleon Bruchesi, Archbishop of Montreal, made every effort to prevent the re-instatement; and the conservative members of the legislative council, led by Thomas Chapois, forced the defeat of this bill. [68]

Nevertheless, the 1875 School Act in Quebec changed the make-up of the Council of Public Instruction and made all bishops whose diocese were wholly or partly within the province automatically members of the Catholic Committee. This resulted in a considerable increase in clerical influence; to the extent that after this date most influential French Canadians bowed to the power of the Church. Backed by Conservative and traditionalist groups, the Church denied the provincial government any important role in the field of education.

The secondary and university levels were the exclusive preserves of the clergy, who clung to the monopoly that they had

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[68]. Hamelin, Marcel (ed.), Memoirs du Senateur Raoul Dandurand (1861-1942), pp. 92-114.

built up since the earliest days when the Church had been almost alone in developing such education. It was only after a prolonged struggle that the school boards succeeded in establishing, in 1929, secular secondary schools known as "higher elementary" schools. The graduates had trouble securing recognition by the universities. Meanwhile, the colleges and universities, deprived of the financial assistance that was the government's prerogative, had few teachers and little money, and often provided inferior teaching.

In 1897, the Ministry of Public Instruction was re-instated, but not without a struggle. On the eve of the opening of the session at Quebec at which the bill was being re-instated, Premier Marchand received a telegram from Mgr. P.N. Bruchesi in Rome: "Pope requests you defer action on Public Instruction Bill. Letter follows today." Despite this attempt to forestall the bill, it was adopted in the Legislative Assembly, with its Liberal majority, on January 5, 1898. Catholic and Protestant committees of the Council of Public Instruction answered to the Provincial Cabinet and the Lieutenant-Governor-in-Council, who had to approve all regulations. The Council was active until 1908, but inactive thereafter. [69]

In 1907, technical and vocational schooling were developed through the setting up of technical schools in Montreal and Quebec, and later, trade and craft schools. L'Ecole des Hautes Etudes Commercials was set-up in 1907. During World War II, these schools

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[69]. Wilson, J., Canadian Education: A History, pp. 343-344.

played an important part in training workers for the munitions factories. [70]

Church Versus State Control

In the long run, the afore-mentioned developments in the area of science and professional training led to the state replacing the Church as the major controlling factor in higher education in English-speaking Canada. Enrolment in theology was soon surpassed by enrolments in other professional faculties and the increased cost of instruction and research in the sciences challenged the financial resources of the small denominational colleges. In the struggle for survival, some Church colleges affiliated with larger universities, while others remained independent and cut their church ties, hoping for wider public support. The provincial governments were approached to an increasing extent for financial help. By World War I, most Canadian universities, certainly the most important ones, had become public or semi-public institutions.

In the Maritimes, New Brunswick had been the first province in Canada to set up a provincial, non-denominational university in 1859. Similar and repeated moves to establish a non-sectarian University of Halifax failed because of the opposition of Nova Scotia's old and rival denominational colleges. [71]

As mentioned earlier, as early as 1868, the government of

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[70]. Ibid., p. 345.

[71]. Ibid., pp. 330-331.

Ontario cut off provincial grants to denominational universities and implied that the University of Toronto would henceforth be the one provincial institution. Queen's, Victoria, and Trinity flourished as independent denominational institutions for a while, but the growing cost of providing instruction in the sciences eventually forced the latter two to surrender. The University of Toronto Federation Act of 1887 provided that the affiliated colleges (eventually Victoria, Trinity and St. Michael's) would continue to grant degrees and offer instruction in theology and some arts subjects, but the major teaching responsibilities, all professional work, and the granting of all degrees except theological ones would be turned over to the university.

A major "intervention" on the part of the federal government in provincial educational affairs occurred in 1910. This was in the form of the vocational training scheme of the Department of Labour. In addition, a Royal Commission on Industrial Training and Vocational Education was also appointed that year (a further point of contention for those opposed to the Federal Government's interference in education).

In Manitoba, the original Church colleges (St. Boniface, St. John's, Manitoba and Wesley) first entered into a federation similar to that of Toronto, but the University of Manitoba Act of 1917 changed it to a monolithic, non-sectarian, university structure. Further west, the new provincial universities were wholly secular from the beginning.

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Between 1867 and 1914, the place of the under-educated adult came under scrutiny. Mechanics Institutes were popular throughout eastern Canada during the mid-1800's, but by 1900, they were on their way out. Paternalistic influences had begun to stifle the institutes. Members of these institutes were expected to "keep their place" and were given little say in management. When they were disbanded in the late 1800's, their reading rooms and book collections were transferred to municipal councils as free public libraries. At about the same time, provincial departments of education and the Carnegie Foundation in the United States began to promote public libraries as a means of adult education. By 1900, free public libraries were common in most of the larger Canadian cities and towns.

Meanwhile, adult education was taking place in an incidental way in a number of social and vocational organizations. Labour Unions, for example, were working to improve the vocational skills and broaden the social outlook of their members. Similar roles were evident in rural areas by Farmer's Institutes and Women's Institutes in English Canada and the St. Jean Baptiste Societies in Quebec. Among the lumbering and mining camps of the Laurentian Shield, Frontier College was bringing the rudiments of learning to a largely illiterate adult population. By the end of the nineteenth century, school boards in major urban centres were offering academic and vocational classes to adults in the evening - thus bringing adult education closer to the main-stream of formal

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public education. Universities, too, were extending credit and non-credit courses to adult members of the community. [72]

The early prediction of men like Ryerson that education was a public concern of top priority was beginning to be realized. More and more the argument was being heard that national prosperity depended on a well-educated citizenry. Education was becoming a major activity on the eve of World War I. Provincial and local authorities were spending large amounts of money on extensive technical and commercial schools. Provincial governments were listening to demands for increasing funding from the universities. But how good was Canadian education after half a century of confederation? Canadians themselves (especially Ontarians) were unanimously in agreement that the system possessed by their particular province was the best in the world. [73]

At the beginning of this century, the federal government entered into three major activities related to post-secondary education, which is deemed to be within provincial jurisdiction. These were the granting of federal aid to vocational training under

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[72]. Wilson, J., Canadian Education: A History, p. 335.

[73]. Ibid., p. 335.

the Agricultural Aid Act of 1912 (which allowed the federal government to provide aid to the provinces to support agriculture [74]) and the Agricultural Instruction Act of 1913[75]-23 (which supported provincial agricultural training in order to stem the flow of young people to the cities [76]), the Technical Education Act of 1919, and the establishment of the National Conference of Canadian Universities and the National Research Council.

Evidence exists of some uncertainty regarding the constitutionality of the Agricultural Aid Act, and considerable effort is in evidence on the part of the federal authorities to secure the co-operation of the provincial governments. [77] It appears that the difficulty was not so much the aid to the agricultural industry, but rather the aid to agricultural instruction.

Despite the opposition, within a year of the passage of the Agricultural Aid Act, the Federal Minister of Agriculture introduced Bill 103 for the granting of financial aid for the advancement of agricultural instruction in the provinces. [78] The constitutional provision in Section 95 of the B.N.A. Act for

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74. Secretary of State, Support to Education by the Government of Canada, p. 24.

75. Ibid.

76. Ibid.

77. House of Commons Debates, 1911-12, Vol. 111, 2851-2853.

78. House of Commons Debates, 1912-13, Vol 111, 2148.

federal as well as provincial legislation respecting agriculture was used in the introduction of the Agricultural Instruction Act (1913). Pressure was brought to bear on the federal government to assist in the transmission of new developments in agriculture to local farms. Furthermore, there prevailed a general view that the agricultural industry was as deserving of federal support as were the railways, shipping and other industries, which were being heavily subsidized. [79]

The federal government justified this incursion into an area of activity which was regarded as provincial, by citing the exodus of young people from the farms to the cities, which was viewed by the government as a serious national problem. A substantial expansion in agricultural education was viewed as the solution which would arrest the outflow and restore stability and prosperity in the agricultural sector.

This measure manifested itself on subsequent occasions in which the federal government was confronted with a national problem related to an activity under exclusive provincial jurisdiction. The response to the problem and the accommodation with the provinces to facilitate its solution are highly instructive: the federal government formulated a policy designed to correct the problem, and then approached the the provinces with a proposal and funds for its implementation.

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[79]. Peitchinis, Stephen, G., Financing Post-Secondary Education in Canada, p. 42.

Having stated the government's policy and the rationale for it, the Minister of Agriculture declared that the constitutional rights of the provinces to legislate for education were to be respected and therefore, the funds applied to agricultural education were to be channelled through established constitutional lines using and reinforcing the machinery already in existence in the provinces or machinery which would be established by the provinces. This appears to be the beginning of federal participation in the financing of what might be called post-secondary education, by channelling the funds through the provincial governments. [80]

The funds were allocated amongst the provinces on a per capita basis, except for some special programs which were financed separately: veterinary colleges which awarded degrees were each granted $20,000 per year by the federal government on the grounds that the federal government was involved in veterinary work and the students attending the colleges were drawn from all provinces. [81] At the time there were only three such colleges in Canada, necessitating inter-provincial mobility for students in whose provinces the programs were not offered. [82] The program

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80. Ibid., p. 24.

81. Maxwell, J.A., Federal Subsidies to the Provincial Governments in Canada, p. 200.

82. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 46.

lasted 12 years. [83]

The Agricultural Instruction Act (1913) did not require any matching contributions from the provinces. It applied to a broad range of eligible activities, and was related to work that was under way or to needs that were outstanding in each of the provinces. Nevertheless, the extent to which individual provinces were able to use the funds provided under the Act, and the effectiveness with which the funds were used, depended upon the nature of institutions and programmes that each of them had in operation. For example, Ontario had a well established agricultural college system, and hence, one-third of the grant in the early years was used to expand its physical plant, and another large portion of it was used to increase the system's teaching staff and their salaries. Nevertheless, the fact that Ontario was in such a favourable position to make use of the funds, had a powerful "demonstration effect" on the other provinces, causing them to develop similar institutions. [84]

It was mentioned earlier that the Agricultural Instruction Act of 1913 was the first instance of direct federal grants to institutions of higher education. It was also the first instance of per capita grants. It is of significance that, apart from these grants, there is no evidence of any additional federal government

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83. Secretary of State, Support to Education by the Government of Canada, p. 24.

84. Maxwell, J.A., Federal Subsidies to the Provincial Governments in Canada, pp. 200-202.

grants to universities until the early 1940's. Equally important is the fact that there appears little concerted effort by the universities to seek federal aid. References to federal financing are limited to programs relating to military training only. [85]

The Royal Commission on Industrial Training and Vocational Education recommended that the federal government provide funds to the provinces on a per capita basis to assist the provinces in adding manual training to elementary and secondary programs. A development fund was also recommended to support teachers, schools, scholarships and researchers. The war intervened, but government responded with the Technical Education Act of 1919. [86]

Before World War I, Eastern Canada, particularly McGill, Queen's and Toronto, led the way in engineering; and in the west, the relatively new University of Saskatchewan led the way in agriculture by daring to place its agricultural college on the same campus as its arts college. By 1914, schools and colleges of engineering, forestry, dentistry, agriculture, home economics, and education were starting to appear on campuses throughout the land. [87]

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[85]. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 52.

[86]. Secretary of State, Support to Education by the Government of Canada, p. 24.

[87]. Wilson, J., Canadian Education: A History, p. 330.

MAJOR TRENDS

While strongly influenced by different sources, the first post-secondary institutions in Canada were able to borrow ideas as they saw fit. Due to the vacuum left by the state, they were denominational universities which would strongly resist subsequent attempts at establishing non-sectarian and secular higher education. They also strongly opposed the attempts by Upper Canada's government at establishing jurisdiction over their "domain".

With the advent of Confederation, a new player was introduced; the national government. With the industrialization of Canada in the early twentieth century, the federal government showed increasing interest in post-secondary education. The need for more professionals such as medical doctors and engineers, and for scientists increased the demand for post-secondary education creating such a financial burden on the universities that they reached for alternative sources of funding. The federal coffers were considered the most suitable source of additional funding.

Two other interesting characteristics that were already emerging included: emphasis on applied rather than theoretical education, a competition between faculties of science and the traditional liberal arts - the understanding that schools of natural science were considered necessities, and arts and humanities, luxuries, particularly for a country where the struggle for the means of living was keen.

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It should also be noted that as early as 1910, the debate about the role and the responsibilities of the federal government vis-a-vis post-secondary education was already well underway.

Invoking national interest, the federal government intervened in the area of provincial interest. However, it did acknowledge the need to respect established constitutional rights by first establishing a program and then channelling funding for that program through provincial institutions. The vehicle introduced to facilitate these operations was the unconditional grant which was to prove less satisfactory for the giver than for intermediaries and the ultimate recipients, as the federal government was unable to exert control over how the money was spent. Also, the principle of matching grants was introduced in 1919 with the Technical Education Act. With this device the federal government was able to limit the range of eligible activities for which money could be spent. Nevertheless, the federal government was still not satisfied with the funding arrangements and increasingly resorted to the direct financing of specific projects.

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SECTION II

The outbreak of World War I in 1914 checked the development of all provincially-controlled Canadian universities, and it was not until 1920 that any of them settled back into a normal routine. [88] This, therefore represents a period were energies were directed towards a common goal, defeating the enemies, and arguments about the divisions of responsibilities for post-secondary education were temporarily set aside.

Although, for the most part, university development ground to a halt during the War, there were some university-related advances: in 1916, the National Research Council was established by the federal government to coordinate federal government scientific research efforts. It provided for the federal support of scientific research and the training of research workers. Soon after its implementation, grants and fellowships were made available to the university community. [89]

Federal government involvement in the financing of individuals dates from November, 1918, when it authorized the granting of loans to a maximum of $500 to disabled veterans in need of assistance to pursue a course of study interrupted by war service. After a few months, this was extended to all veterans. But, subsequently, it was stipulated that the loans had to be repaid within five years

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88. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. xx.

89. Secretary of State, Support to Education by the Government of Canada, p. 24.

and were no longer made available to veterans who had not previously followed educational programmes in post-secondary institutions. [90]

The first Forest Products Laboratory to be established by the Forestry Branch of the Department of the Interior was located in Montreal and was associated with McGill University from the start[91] When the Department established a second laboratory at Vancouver in 1918, a similar relationship with the University of British Columbia was developed. The work of all such government agencies was of actual or potential value to scientists in a wide range of fields, and the government, through these agencies, was making it easier for Canadians to carry out research. [92]

Another such organization was the Meteorological Service of Canada. A Chief Astronomer for the Dominion had been appointed in 1890 and, as of 1909, there was a Dominion Observatory at Ottawa with a fifteen-inch reflector; in 1918, a seventy-three-inch reflector was built for the Dominion Astro-Physical Observatory at Victoria, British Columbia. [93]

While relationships between the universities and these

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90. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 83.

91. Garret, G.S., Forestry Education in Canada, (1971), p. 16.

92. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. 321.

93. Ibid., p. 321.

government agencies had always been congenial, there was no official connection; it was a matter of individual professors becoming involved in the work of an agency. There was, however, an official and functional relationship between the universities and two new agencies which had been established by 1920: the Biological Board of Canada (1912) and the Forest Products Laboratories mentioned earlier. The Biological Board of Canada (which became the Fisheries Research Board of Canada in 1938) was actually established in 1898: A committee including representatives from Dalhousie, Laval, McGill, Queen's, New Brunswick, and Toronto encouraged the Minister of Marine Fisheries to establish a Marine Biological Station which would be administered by a special board consisting of one or more representatives from the Department and one representative from each of the universities which had supported the petition for its establishment. A representative from the University of Manitoba was added in 1915. [94]

The Royal Military College at Kingston remained open throughout World War I, but from the onset, it was place on war-time footing, with the cadets leaving to accept commissions in the British or Canadian armies shortly after turning 18, the minimum age for obtaining a commission. This typically permitted a 12-18 month stay at the college, and the course of

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94. Rigby, M.S., and Huntsman, A.G., Materials Relating to the History of the Fisheries Research Board of Canada (1958).

study was adjusted accordingly. However, an emphasis on academic education as distinguished from military training was maintained, and the abbreviated R.M.C. programme differed substantially from that provided in the different officer training camps that were established.

The Technical Education Act of 1919 was a bench mark in Canadian history as it was the first instance of federal financing of post-secondary education with consent from the provinces. [95] This demonstrated sensitivity on the part of the federal government concerning provisions in the Constitution Act of 1867 regarding education.

The Technical Education Act was created in response to the demands of national economic policy and the need to develop a skilled labour force. [96] It provided $10 million over 10 years to assist in technical and vocational education, with each province receiving an annual grant of $100,000. The balance was to be distributed in proportion to the provincial population. The funds were to be used for the following purposes: purchase or rental of land, buildings, furnishings, and equipment; remuneration and travelling expenses of persons employed for the purpose of administration of vocational education and all expenses incidental to such administration; remuneration of teachers employed to

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[95]. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 412.

[96]. Secretary of State, Support to Education by the Government of Canada, p.8.

conduct vocational classes; training of teachers for vocational work; and maintenance of plant and equipment. [97] Also, not more than twenty-five percent of the annual grant payable to each province was to be used to acquire land, erect or extend buildings or supply furnishings and equipment. [98] The allocation was partly a fixed sum per province and partly per capita. [99]

Unlike the Agricultural Instruction Act, the Technical Education Act (1919) required the provinces to match the federal contribution, and was considerably more restrictive concerning the range of eligible activities. Because of this, its effect was much less favourable to the provinces than the effect of the Agricultural Instruction Act. [100]

The nature and implications of the conditional grant and the cost-sharing method have been studied intermittently over a relatively long period of time. The most penetrating look at the conditional grants method was carried out by J.A. Maxwell. He drew on both the Agricultural Instruction Act (1913) and the Technical Education Act (1919) to illustrate his conclusions:

... the federal government tempted the provinces to

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97. Canada, Department of Labour, Annual Report, 1919-20, p. 146.

98. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 35.

99. Ibid., p. 35.

100. Ibid., p. 49.

> embark upon schemes which were beyond their fiscal strength, particularly after the grants had been terminated ... when after ten years the grants were stopped, the provincial governments were faced with the unpleasant alternatives of curtailing expenditure or finding extra revenue.[101]

Technical education had been receiving favourable attention in most of the provinces since at least 1900, but the disruption and costs of World War I, and the sharp decline in economic activity in 1920-21 prevented some of them from making effective use of the federal funds provided under the Technical Education Act. Further to this, in a number of provinces physical facilities for technical education were poorly developed, and since the Act permitted only one-quarter of the grant to be used for this purpose, limited accommodation for technical instruction placed a severe restriction on the use of the balance of the grant. Only Ontario received its full allotment by the end of the ten-year period. The extent to which the provinces were financially handicapped is shown by the fact that the Act had to be extended four times, in five-year periods, before all the provinces were able to claim the balances allotted to each of them.

Difficulties were also encountered in relation to the administration of the Act. Although the change in government during the initial ten-year period, and the resignation of the administrator of the programme, are usually referred to as the

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101. Maxwell, J.A., Federal Subsidies to the Provincial Governments in Canada, pp. 244-245.

causal factors, the real problem seems to have been rooted in attempts, on the one hand, by the federal government to supervise the expenditures, and on the other hand, equally determined efforts on the part of the provinces to resist supervision. It would appear that the provinces were spending, or were attempting to spend funds on activities outside the terms of the Act. Maxwell concludes ultimately, "the provinces had, in the main, to be permitted to go their own road." [102] However, different arrangements were introduced: not being able to control effectively the use of funds provided under the Act, the federal government resorted increasingly to the financing of specific projects, carried out under separate agreements with each province. This resulted in a heterogeneity of standards from province to province, and according to Maxwell, "much work of an unsatisfactory quality." [103]

No reference to federal or provincial responsibility for universities appears in the proceedings of the National Conference of Canadian Universities until 1920. Answering a federal request that the universities support a military training programme, Sir Robert Falconer noted that the provinces were obliged under the B.N.A. Act to "attend to matters of general education". The context of the remarks makes it apparent that he understood provinces to have general jurisdiction over university affairs, but

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102. Ibid., p. 212.

103. Ibid.

that federal programs could be introduced for special needs.

Several other noteworthy events occurred in 1919 in the realm of federal funding to post-secondary education. Apart from the student loans to veterans, the forerunner of the Education Division of the Dominion Bureau of Statistics (later Statistics Canada) was founded. In 1923, this became the Education, Science and Culture Division. [104] Given the amount of research carried on at universities, and the importance of statistics to this research, the Education Division of the Dominion Bureau of Statistics would be of great importance to universities. Another organization linked to university research, the Dominion Experimental Farm System included twenty-one branch farms, seven sub-stations, two tobacco stations and eighty-six illustration fields by 1920. [105]

Apart from its continuing direct responsibility for the Royal Military College, the federal government became increasingly involved in research during the 1920's and 1930's. During this period, it also became involved in post-secondary education through grants in support of technical education to various provinces.[106]

The 1920's also saw the initiation of degree programs in a number of new professional fields - Library Science, Nursing

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104. Secretary of State, Support to Education by the Government of Canada, p. 24.

105. Dominion of Canada, Fifty Years of Progress in Dominion Experimental Farms, 1886-1936 (1939).

106. Harris, Robin S., A History of Higher Education in Canada, 1663-1960, p. 370.

and Social Work, for example. Within the social sciences, the subjects of Economics, History, and Political Science emerged as important disciplines and, on a smaller scale, anthropology, geography, sociology and psychology. [107]

Around 1920, the federal government approved a proposal to expand the capacity of the Royal Military College to 300 cadets. However, during the next twenty years, the enrolment remained fairly steady at about 200. One explanation was that funds were not provided by the government to increase the college's physical capacity to accommodate more students. [108] However, shortly thereafter, the Defence Department did take responsibility for the education of children of Canadian Forces personnel living at defence establishments. [109]

On the provincial scene, the most significant development occurred around 1920 - it was the establishment of a scientific and industrial research council by the Province of Alberta "to promote and develop the natural resources of the province". From the outset, the University of Alberta had been associated with the Alberta Research Council which, in 1920, supplied funds for two research fellowships.

Another significant occurrence at the political level took

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107. Ibid, p. xx.

108. Ibid, p. 370.

109. Secretary of State, Support to Education by the Government of Canada, p. 24.

place in the Maritimes. Between the years 1912 and 1922, each major higher education institution in the Maritime provinces applied to the Carnegie Corporation for financial assistance. Dr. William S. Learned of the Carnegie Foundation for the Advancement of Teaching and Dr. Kenneth C.M. Sills, president of Bowdoin College were invited to visit the Maritime provinces and educational institutions there and report on the situation with a view to making suggestions. Visits were made in 1921. [110]

The result of the Carnegie-sponsored investigation was a proposed scheme whereby a single Maritime university would be established on the Dalhousie campus at Halifax of which King's, Acadia, Mount Allison, New Brunswick, St. Francis Xavier and Dalhousie would become constituent colleges. This would entail the removal of five out of six institutions to Halifax at a cost of approximately $4.5 million, and the Carnegie Corporation was prepared to contribute $3 million to effect the plan. The report claimed that the provincial governments were more likely to contribute to the upkeep on an institution which had no denominational affiliations and that it would be appropriate for the federal government to offer either an annual subsidy or an endowment grant in support of this venture. [111]

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110. "Carnegie Foundation for the Advancement of Teaching - Education in the Maritime Provinces of Canada Bulletin (1922)."

111. Canadian Annual Review, (1922), pp. 337-41, and (1923), pp. 400-401.

The initial reaction to the proposal was on the whole favourable, but by the end of 1923, St. Francis Xavier and Acadia had decided not to participate, and Mount Allisson had announced that it would have to defer a decision for several years pending the settling of a question to do with the United Church. This only left Dalhousie and King's, the end result being a federation of these institutions, made possible by a Carnegie grant of about $1 million. With the aid of two grants ($375,000 from Rockerfeller and $200,000 from the Carnegie Foundation), Acadia upgraded. Despite having attained its own degree-granting status in 1925, Mount St.Vincent College continued to co-operate with Dalhousie throughout the 1930's. [112]

Technical training was generally integrated in the programme of secondary schools and was mostly provided in the institutions known as Comprehensive High Schools. The Ecole des Beaux Arts de Montreal was founded in 1922 and a similar school was set up in Quebec City in 1929. [113]

A slightly different approach toward university education was initiated in the early 1920's in an effort to alleviate the economic deterioration in evidence at the time: In Nova Scotia, St. Francis Xavier University, under the leadership of Dr. James Tompkins and Dr. M.M. Coady, attempted to deal with all the people

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112. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. 355.

113. Wilson, J., Canadian Education: A History, p. 345.

of one area, rather than just those students in college classes. In organizing their programme, they attempted to ascertain what people wanted to learn. Their formal beginning was the People's School, organized in 1921. People of varying occupations - fishermen, miners, and farmers - came together for six weeks to study economics, philosophy and community living. But the continuation of these efforts, unfortunately, did not alter the pattern of economic deterioration. [114] A Royal Commission studying the condition of the fisheries recommended in 1927 that an education program to benefit the fishermen be started. In 1928, the Department of Extension at St. Francis Xavier under the directorship of Dr. Coady, was established. [115]

In the implementation of the Technical Education Act of 1919, a number of difficulties arose, some of which continue to emerge as characteristics of the nature of financial co-operation between federal and provincial governments. When the Act lapsed in 1929, only Ontario had benefitted to the full amount allotted to the province under the Act and so the Technical Education Extension Act was passed in 1929. This basically allowed unexpended portions of the funds allocated in the Technical Education Act of 1919 to be carried forward [116], such that any province which had not claimed

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114. Ibid, p. 366.

115. Kidd, J.R., Adult Education in the Canadian University, p. 45.

116. Secretary of State, Support to Education by the Government of Canada, p. 24.

its full allotment could claim it in years beyond the terminal date. [117]

One of the most apparent changes characterizing higher education in Canada between 1920 and 1940 was the increase in enrolments. The number of students rose by 58 per cent, from 23,418 to 37,255. These numbers include Osgoode Hall Law School, Nova Scotia Agricultural College, and the Royal Military College which did not have degree-granting powers in 1940, as well as a number of theological colleges not associated with any university. These figures reflect the larger proportion of women attending universities - 24 per cent as opposed to the previous 16 per cent, and a quadrupling of postgraduate study. In Arts and Sciences, the student population almost doubled during these years. However, there was only a modest increase in professional fields. In fact, four of the major faculties - dentistry, law, medicine, and pharmacy, had substantially fewer admissions. Of the fields which, by 1920, were well established, only agriculture, engineering, forestry and veterinary medicine experienced any growth in the next two decades and in the latter two, the numbers remained relatively small. The most marked progress occurred in the programs of special interest to women: education, household sciences, nursing, social work, library science, physical and occupational therapy.[118]

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117. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 37.

118. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. 351.

Because of this significant increase in student numbers, capital expenditures were heavy in the late 20's and early 30's. [119] After 1932, all universities found it increasingly difficult to meet costs of building, maintenance and instruction. The universities of British Columbia and Manitoba were especially hard-hit. Faculties and salaries were reduced, maintenance was neglected and construction was at a standstill. [120]

Federal government financial support concentrated on the funding of research until the 1930's, when on the advice of the Rowell-Sirois Commission, a Dominion-Provincial Student Aid Program was established in 1939. During World War II, the federal government funded universities for "defence research, for technical advice and in establishing officer-training units for the services." [121]

In August, 1931, The Vocational Education Act (1931) was passed. $750,000 per annum for a period of fifteen years was set aside from which payments could be made annually to the government of any province "for the purpose of promoting and assisting vocational education". The payments were conditional upon an agreement being entered into between the Minister and the government of the province as to the terms, conditions and purposes

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119. Wilson, J., Canadian Eudcation: A History, p. 381.

120. Ibid.

121. Johnson, F. Henry, A Brief History of Canadian Education, p. 186.

on and for which the payments were to be made and applied, and such agreements were subject to the approval of the Governor in Council. [122]

A development which occurred during the 1920's and 30's was that the Carnegie and Rockerfeller Foundations of New York provided financial support to Canadian universities. In addition to providing invaluable aid to libraries in a time of increased enrolment and reduced funding, the Carnegie Foundation , in 1933, donated $50,000 to each of four Western Canadian universities "to initiate some new and significant work which would have a stimulating effect on the morale of the institutions." [123]

The Carnegie Corporation was involved in a further funding scheme in 1933. In 1933, a survey of Canadian libraries was conducted. Libraries, such as the travelling libraries which served the rural population, were supplied by provincial departments of education, universities, and/or public libraries. They were important adjuncts to adult education in its formative stages. Carnegie funds were used to start regional library services in British Columbia and Prince Edward Island. The result of the 1933 survey was a recommendation that Prince Edward Island take immediate steps to introduce an experimental regional library. In that province, only two centres had libraries, with a fairly

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[122]. King's Printer, An Act for the Promotion of Vocational Education in Canada, August 3, 1931, Section 4.

[123]. Wilson, J. Canadian Education: A History, pp. 381-382.

limited circulation. The Carnegie Corporation provided an initial grant of $60 thousand and added another $40 thousand over the next three years. The program resulting from this support increased book circulation in Prince Edward Island almost tenfold. [124]

Another unique development in adult education came into being in Alberta in 1933. As a result of a Carnegie grant to the University of Alberta, the Banff School of Fine Arts was created. This was an effort largely envisioned and promoted by E.U. Corbett. Initial efforts were in the area of drama. Painting and piano groups were added in the next few years and, still later, oral French and weaving. [125]

Peter Sandiford of the University of Toronto, reporting in 1935 on adult education in Canada, noted that:

> We are on the eve of a great mass movement in Adult Education, the like of which the world has never seen. The reform of society will come, not through the indoctrination of the young, but the intellectual conversion and convictions of the adult. [126]

The Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Commission), appointed in 1937, stated the principle that a federal role in education was imperative based on the argument that "efficient functioning" of universities in all

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124. Ibid., p. 367.

125. Ibid.

126. Kidd, J.R., "Present Developments and Trends", a chapter in Adult Education in Canada, ed. by J.R. Kidd, p. 11.

provinces was essential to regional equality of influence in national life. The Commission also identified the central importance of provincial government priorities in regard to education. It recommended that, in the interest of equity, a small per capita grant be given to the provinces. However, the war intervened and the matter was not dealt with again until the Massey Commission Report of 1951. [127]

The Unemployment and Agricultural Assistance Act was passed in 1937. It provided for the training of men and women between the ages of 18 and 30 who were unemployed and registered with the Employment Service. Grants were to be made in amounts matching provincial expenditure and were not linked to provincial populations. It was replaced by the Youth Training Act of 1939 and by the Vocational Coordination Act of 1942. Like the Technical Education Act (1919), the Unemployment and Agricultural Assistance Act (1937) required matching expenditures from the provinces. Furthermore, its application was limited to one year only (in spite of this stipulation, the Act was extended for one year in 1938). The effect of these two qualifications was to give considerable advantages to provinces which were able and willing to spend on the designated areas or happened to have relevant projects under way.

In 1937, Paul Martin introduced in the House of Commons a resolution calling for the establishment of a programme of national

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127. Secretary of State, Support to Education by the Government of Canada, p. 25.

scholarships. He acknowledged that the provinces had responsibility for the universities, but argued that the term "exclusively" was not so restrictive that the federal government could not offer assistance to the provinces for a particular purpose. Similarly, the Rowell-Sirois Commission in 1940 made it clear that universities were to be included in the definition of education under Section 93, but the Commission was willing to differentiate "general education" from "certain phases of education which are believed to be of unique national importance - specifically some aspects of university education." [128]

Another federal government association having close ties to the university was established in 1938: this was the National Research Council Associate Committee on Medical Research (later the Medical Research Council) .

Education expenditures increased from the beginning of the century up to the beginning of the depression in almost exactly the same ratio as all government expenditures. Education then bore the brunt of Depression retrenchment as budgets were cut by one sixth, from 15 per cent of government expenditures for the first thirty years of the century to 11 per cent in 1937. [129] The Rowell-Sirois Commission identified this trend and recommended major changes to enable "the younger generation to compete in all

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128. Canada, Royal Commission on Industrial Training and Technical Education, Report of the Commissioners, Parts I and II, pp. viii ff.

129. Rowell Sirois Commission, Report, Vol. I, p. 205.

prospective fields of employment ... thus creating a desirable asset through increasing the mobility of labor". [130] However, it recommended against using conditional grants to do so, as the records of such government instruments were, "not likely to be very satisfactory ... there is enough (disagreement) to cause delay and generate friction." [131]

Accordingly, toward the latter part of the 1930's, there emerged renewed interest in federal aid to students. Most of the aid was in terms of state scholarships or bursaries established by the federal government, and national scholarships for outstanding students who were financially unable to continue their education. On February 24, 1937, Paul Martin introduced the following motion in the House of Commons:

> That, in the opinion of this house, ... the government should investigate the desirability of a system of national scholarship to be made available to outstanding students who are financially unable to continue their education ... [132]

Recognizing that education was a matter of provincial jurisdiction, Martin expressed the view that this should not prevent the scheme from being put into effect. He stated:

I am not particularly concerned in what form

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130. Ibid.

131. Ibid., p.259.

132. House of Commons Debates (Feb. 24, 1937), Vol. 2, 1937, p. 1188.

> the federal government assists in furthering this proposal; ... if they are to be brought about by grants in aid to the provinces, definitely earmaked for that purpose, I do not see that there will be much to object to in the matter. [133]

He made mention of the fact that the National Research Council was awarding scholarships and grants, and that grants were also given under the Technical Education Act of 1919.

The government refused to act on Mr. Martin's motion. In a speech in the House of commons on May 15, 1939, the Minister of Labor referred to the question of national scholarship in the following way:

> I did not consider that the Dominion government ... should be asked to establish national scholarships until at least the provincial governments had met their responsibilities in that regard ... we have said that we would accept from the provinces a proposal for student aid based on a fixed percentage of the total Dominion allocation to each province in each year. ... This proposal has been placed before all the provinces. It is under consideration, and some have already indicated their desire to co-operate. [134]

The "proposal" referred to by the Minister of Labor related to the Dominion-Provincial Student Aid Programme which was introduced by the federal government in the spring of 1939 under the Youth Training Act (1939), [135] which essentially replaced the

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[133]. Ibid., p. 1190.

[134]. House of Commons Debates, May 15, 1939, pp. 4101-4105.

[135]. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 85.

Unemployment and Agricultural Assistance Act (1937) as a more comprehensive piece of legislation. [136] The Act provided that the federal government could not initiate projects, but it could suggest projects which seemed desirable from the national standpoint. On this basis, the government proposed that there be established a program of aid to students, which it described simply as "student aid". [137] The program was described as follows:

> Student aid, a project to assist young people of proven academic merit, who were in financial need, to enter upon or to complete a course of training leading to a degree in a university, maximum assistance to any individual was not to exceed $200 for the academic year. [138]

The proposal was agreed to by British Columbia, Saskatchewan, Alberta, Manitoba and Prince Edward Island in 1939; Quebec joined in 1940; Nova Scotia and New Brunswick entered in 1942; Ontario in 1944; and Newfoundland joined soon after entering confederation in 1949. [139]

Under the Act, the federal government was to make payments to the provinces equal to 50 per cent of the allowable expenditures incurred for the student aid program. In the apportionment of

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136. Ibid, p. 51.

137. "Report of the Department of Labor", in Departmental Reports, Vol. 4, 1939-40, p. 101.

138. Ibid., p. 102.

139. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 86.

funds, priority was to be given to students in programs for which there was a manpower shortage. As a result of this stipulation, most funds were given to students in engineering, science, medicine and dentistry. The assistance was given in the form of a grant, a loan, or a combination of the two, depending upon the nature of the provincial program. In Ontario, Alberta, British Columbia (and later, Newfoundland), it was given in the form of an outright grant; whereas in Prince Edward Island, Nova Scotia, New Brunswick, Manitoba and Saskatchewan it was given in the form of a loan. Quebec withdrew from the program in 1954. [140]

Professor Pike has given the following assessment of the Student Aid Program:

> It is difficult to judge the degree to which the Dominion-Provincial Aid Program succeeded in promoting equality of educational opportunity. It was probably just a drop in the bucket of need although its existence may have influenced some of the provinces to establish their own separate aid programs. Federal expenditure on the program amounted to less than $45,000,000 during the 25 years of its existence (1939-1964), and only a sprinkling of students (on average, less than 3,000 a year) received financial support. [141]

Consultations for the Selected Service between the federal government and the National Conference of Canadian Universities (NCCU) took place in 1939, regarding the treatment of staff and students within the provisions of the National Selective

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140. Ibid., p. 87.

141. Ibid.

Service Act. These resulted in quite close contact between the federal government and universities during the Second World War. [142]

The development of Canadian higher education was seriously affected by the Depression. Many professional fields were adversely affected, the most significant being architecture and pharmacy; but the expansion of new fields such as library science, physical and health education and social work was also checked. [143]

The effect of the Depression upon the universities was indirect rather than direct - salaries were cut, but then prices fell; and on the whole, the teaching staff suffered less and had more security than in other professions. Enrolment kept up because there were no jobs to tempt young people not to come to college. On the other hand, it was next to impossible, both economically and psychologically, to take bold steps forward in such troubled days. [144]

The depression of the 1930's caused a very substantial reduction in personal and corporate gifts and bequests to the universities. Since gifts, bequests and endowment income made up a large portion (about 30 to 40 percent) of operating expenditures, their reduction forced a search for alternative sources of funds or

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142. Secretary of State, Support to Education by the Government of Canada, p. 25.

143. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. 353.

144. Pilkington, Gwendoline, A History of the Association of Universities and Colleges of Canada, 1941-1961, PhD thesis.

the reduction or termination of some programs. Amongst the potential alternative sources were the provincial governments, the federal government and students. But they, too were adversely affected by the prevailing economic conditions: personal income had fallen, and so did government revenues.

In 1940, the Rowell-Sirois Commission reported that it had received many briefs requesting federal government participation in the financing of students and post-secondary institutions. It explained that most of the requests arose largely from concern that the reduced financial capacity of the provinces would prevent them from meeting the financial requirements of the education system.[145] The Commission expressed understanding acknowledgment of the problem, but it took the stand that:

> ... the representations appear to us to go too far in denying the right of each province to decide the relative importance of expenditure on education and expenditure on the competing services. ... Hence, we do not think that it would be wise or appropriate for the Dominion to make grants to the provinces ear-marked for the support of general education.[146]

It is vital to note, however, that the Commission made a distinction between "general education" and "certain phases of

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145. Report of the Royal Commission on Dominion-Provincial Relations Book 11, p. 50.

146. Ibid.

education which are believed to be of peculiar national importance" [147] (as noted earlier), and on that basis, gave cautious approval to federal aid to universities. It came to reason that "efficient functioning" of universities in all the provinces was essential to regional "equality of influence in the national life". Because the provinces were encountering serious financial difficulties, the Commissioners anticipated that they would welcome some federal aid to universities, particularly if the aid were distributed through and by the provinces. They made a statement to that effect:

> A relatively small Dominion annual grant divided among the provinces in rough proportion to their population for the benefit of institutions which receive help from the state might play a peculiarly useful part in our national life. The additional funds, while preferably to be spent at the discretion of the university, would make it possible (whenever this appeared to academic authorities the most useful course) to provide scholarships and bursaries which would bring its opportunities within the reach of poor but able students. [148]

Under normal conditions, one would have expected universities to take up this encouraging proposition for federal aid, and to push for its implementation. But, the education of veterans had by that time become an issue of importance, and university authorities channelled their full energies to the formulation of the veterans

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147. Ibid., p. 51-52.

148. Ibid., p. 52.

program. [149]

MAJOR TRENDS

The post World War I years saw an interesting event take place in the Maritimes. While offered a private grant of $3 million, most universities involved declined the option to relocate in Halifax as it would have meant a reduction to college status as opposed to being a fully-fledged university. This attachment to highly independent and diversified institutions has survived to this day.

Another interesting aspect of this period was the involvement of private interest, albeit American, in the welfare of the universities. The Rockerfeller and Carnegie Foundations spent millions in grants at a time when enrolment was increasing and governments were shying away from their responsibilities due to the difficult financial situation created by the Depression.

This period also clearly established that provincial governments alone did not have the financial resources to handle the funding needs for post-secondary education, opening the door for federal government involvement, and, indeed, the federal government expressed renewed interest.

While strapped for funds, the federal government nevertheless introduced a new funding formula; student aid. As the funds were given as a grant or a loan, or a combination of the two, directly

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149. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 61.

to the actual individual, conditions for this subsidy could easily be introduced and readily enforced. This resulted in most of the funds being given to engineering, science, medicine, and dentistry, as these fields were deemed important to national interest.

It should also be noted that the federal government established a propensity, during the inter-war period, for tempting the provinces into embarking upon schemes which were beyond their financial resources and then withdrawing support, having created a demand that it no longer chose to fund, whether because of a lack of financial resources or a change in focus for available funds.

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SECTION III

1939 marked the effective entry of Canada into World War II but, more importantly, it marked the end of the depression which had seen Canadian universities grind almost to a standstill. [150] During the course of the war, the federal government, as is to be expected, did not have a lot of time or energy to commit to matters of post-secondary education: the Parliament of Canada had to develop a policy with respect to the eligibility of university students and teachers for military service; it provided training for thousands of veterans on their return [151]; and it emplemented the War Emergency Training Programmes of 1940-46 and 1951-55, under which the federal government put out money for both 85 percent of operating costs and for the Dominion Loan Fund (1944), which were designed to assist and accelerate the graduation of doctors and dentists for the war services. [152] That was about the extent of federal policy on higher education until after World War II. [153]

By Order-in-Council (PC7633, dated October 1, 1941) the federal government provided grants to World War II veterans to study at the university level. The document outlining the arrangement stated that eligible veterans could have been admitted

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150. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. xx.

151 Wilson, J., Canadian Education: a History ,p. 426.

152. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 41.

153. Wilson, J., Canadian Education: A History, p. 426.

to a university before their discharge, within one year of their discharge, or longer depending on the course of study. Veterans were allowed to resume academic or professional courses interrupted by their service, given certain time restrictions. [154] Grants were awarded for graduate as well as undergraduate study, but eligibility for post-graduate grants depended on the student's academic record, the type of course to be taken and "its desirability in the public interest." [155]

The value of grants was comparable to the out-of-work benefits provided for all ex-servicemen, and was comparable to the benefits paid in the higher brackets under the Unemployment Insurance Act. [156] In addition, the federal government paid tuition and other compulsory fees.

However, the Order-in-Council did not provide grants for the universities to enable them to accommodate the anticipated increase in enrolment. A committee of the National Conference of Canadian Universities appointed in 1942 to consider "problems arising from PC7633," [157] reported that:

The Order-in-Council deals with one side only of a two-

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154. McDonald, H.F., "The re-establishment of Ex-Service Men," Proceedings of the National Conference of Canadian Universities, June 9-11, 1942, p. 78.

155. Ibid.

156. Ibid, p. 79.

157. Report of the National Conference of Canadian Universities on Post-War Problems, 1944.

> sided problem. It will create an unparalleled demand for university education, but does nothing to ensure the corresponding supply, and unless the Dominion Government ... is willing to help the universities in meeting their post-war obligations, the Order-in-Council must fail in its full purpose. ... An essential corollary to the Post-Discharge Establishment order is therefore a correspondingly generous contribution by the Dominion government to the universities so that they may provide the educational facilities offered in the Order to demobilized men and women. Our resources are at the present stretched to their limits and we cannot meet vast new demands without a large measure of external help.[158]

The committee anticipated an enrolment of 30,000 to 35,000 men and 5,000 women who had been in the war. This would represent approximately a doubling of the 1939 enrolment in Canadian universities. Since student fees at that time covered about 40 percent of the operating costs of universities, a doubling of enrolment would lead to a sharp increase in costs not covered by fees. The committee noted that the high war-time rates of taxation had largely "dried up the wells of private generosity" and concluded that there was no alternative revenue to generous assistance from the federal and provincial governments. To control costs, the committee recommended that "the universities should continue to consult with one another, especially within the same region, before embarking upon any major new development or etablishing any new course or department." [159]

The Bill leading to the Veterans Rehabilitation Act was

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158. Ibid, p. 9-10.

159. Ibid., p. 13.

introduced on May 3, 1945; and the Act received Royal assent on December 18, 1945. The NCCU request for direct federal assistance was granted (at the rate of $150 per veteran per year).

The Veterans Rehabilitation Act is generally considered to have been a highly successful proposition. It was by far the greatest of all federal ventures into higher education [160], extended later to accommodate the veterans of the Korean War. [161] The scheme marked the first time since 1913 that the federal government undertook direct financial involvement with universities. This example of direct involvement by the federal government in the financing of post-secondary education and the method by which it became involved, have been referred to continuously by the advocates of further federal aid to post-secondary education. [162] The federal treasury, through the department of Veterans' Affairs, poured $141 million into the programme. The majority , $90 million, went into living allowances; but $33 million went into university fees, and $18 million were paid as a direct grant-in-aid to the universities, at

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160 Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 57.

161. Woodside, Willson, The University Question - Who Should Go? Who should Pay?, p. 155.

162. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 57.

the rate of $150 per veteran per academic session. [163]

The financing of the Veterans programme was, for the universities, a very pleasant respite: it interrupted a rather long period of financial difficulties and was followed by a period of even greater difficulties. The problems encountered during the decade preceding the introduction of the programme, were related to the general economic problems that beset the whole nation; whereas the problems encountered at the termination of the programme were largely related to the relative affluence that prevailed during the period when the programme was in effect and the higher financial base that resulted from it.

The nation's obligation toward its war veterans was the reason for federal educational assistance to discharged veterans after both World Wars (although this responsibility was much more generously recognized in the case of World War II veterans and the children of deceased veterans). This support is much to the credit of the federal government, as it is doubtful that any of the provinces would have assigned public funds to post-secondary education for activities related to national defence or the education of young people who participated in the two wars. [164]

The several federal-provincial agreements on vocational

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163. Woodside, Willson, The University Question - Who Should Go? Who Should Pay?, pp. 155-156.

164. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 41.

training in existence in 1942 were brought under the Vocational Training Co-ordination Act (1942). [165] It was this Act which provided the rationale, legislation and administration for the introduction of direct federal aid for the further education of discharged veterans of World War II. [166] The Act continued projects initiated under the Youth Training Act (1939) and added an emphasis on the war effort and training of war veterans. Programs under the Act were to be carried on through separate federal-provincial agreements concerning apprenticeship, vocational schools, correspondence courses and technical training. This program lasted until 1960 when it was replaced by the Technical and Vocational Training Assistance Act.

In 1942, another military college was opened near Victoria, British Columbia. Royal Roads Military College, like its counterpart in Kingston was, as per the constitution, a federally-sponsored institution. [167]

In 1944, Manitoba undertook a study of educational finances, as did most other provinces, less formally. Ontario's premier, George Drew, announced a full-scale Royal Commission to examine all

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165. Ibid., p. 38.

166. Ibid.

167. Secretary of State, Support to Education by the Government of Canada, p. 25.

facets of education. All provinces had minimized educational finances over the past two decades and with the exception of Prince Edward Island, they provided larger provincial grants. [168]

The Second World War brought with it an unprecedented level of Government intervention required to wage a modern conflict. The war effort made major economic, social and psychological demands on everyone setting the stage for Keynesian economic and social initiatives. Veterans came back home knowing they had paid a valuable sacrifice for their society and were expecting to receive rewards in keeping with the role they had played. Challenged to maintain its legitimacy, the Government of Canada re-directed the bureaucracy and resources acquired during the war and attempted to address the demands for health, education and social services. A general consensus emerged that private service agencies did not meet the needs of the population equally and politicians were eager to respond with legislation that mandated provision of services to ensure fair and equal distribution.

When the war came to an end, Canadians wanted a long period of peace and prosperity in which they could educate the public and their political representatives to the pressing needs of an increasingly industrialized democratic society. They were to get their peaceful prosperity, but there was to be no respite from their difficulties. [169]

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[168]. Wilson, J., Canadian Education: A History, p. 382.

[169]. Ibid., p. 382.

The roots of today's university dilemma lie in an area quite remote from the daily squabbles that enliven Canadian campuses. They stem from the historical fact that Canadian living standards rose rapidly in the decades after 1945. [170]

In 1946, an amendment to the Act which established the National Research council allowed it to create, as independent organizations, the Defence Research Board (1947) and the Medical Research Council (1960). These were created for the purpose of delegating to them, and other government bodies, the more specialized research activities previously undertaken by the National Research Council itself. [171]

Assistance in the form of fellowships for the humanities was so meagre in 1946 as to warrant the conclusion that "Canadian scholarship in the humanities has never experienced the stimulus of subsidized research" ,[172] the most notable aid recorded being from four to six Guggenheim Fellowships distributed over all disciplines. Very few of these, naturally, came to scholars in the humanities. After this, the situation improved slightly, especially when help came forth from the Carnegie Corporation and Rockerfeller

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170. Bercuson, David J., Bothwell, Robert, and Granatstein, J.L., The Great Brain Robbery - Canada's Universities on the Road to Ruin, p. 11.

171. Secretary of State, Support to Education by the Government of Canada, p. 8.

172 Bercuson, David J., Bothwell, Robert, and Granatstein, J.L., The great Brain Robbery - Canada's Universities on the Road to Ruins, p. 11 .

Foundation, but even this assistance was meagre when compared to funding for the sciences.

In 1948, the Quebec government granted a university charter to Sir George Williams College which had come into being through the efforts of the Montreal Y.M.C.A. and which had introduced, in 1873, evening courses for English-speaking young men in Montreal. [173]

As a result of the education of the war veterans, the universities experienced a metamorphosis: from institutions in the process of fossilization, they became animated. But, alas, "their administrators proved to be either myopic or recklessly optimistic." [174] Since all federal aid under the program was related directly to the numbers of veterans attending, it was to be expected that when the number of veterans able and willing to pursue higher education diminished, so would the federal aid. Hence, in the final years of the 1940's, the universities were confronted with the arduous task of again having to convince the provincial and federal governments that they deserved financial support from the public treasuries. [175]

On March 4, 1949, a committee of the National Conference of Canadian Universities presented a statement to the Prime Minister (the Hon. Louis St. Laurent) and the Minister of Finance (Douglas Abbott) in which they sought to justify federal participation in

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173. Wilson, J., Canadian Education: A History, p. 347.

174. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 61.

175. Ibid, p. 62.

the financing of universities. After emphasizing that Canadian universities had recently faced serious deficits and could not afford the necessary expansion in physical facilities, the committee recorded their concern that educational opportunities were going to be limited unless the federal government provided the necessary financial aid. The justification for federal government involvement was based of national requirements for professional manpower - engineers, scientists, doctors, dentists - and the inter-provincial mobility of students. [176] The committee "viewed with alarm" the declining federal financial assistance, and declared:

> ... the universities of Canada need grants for expanded and improved facilities. Such grants should be made on a five-year basis so that adequate planning and budgeting is possible in the light of the needs of our people. [177]

On the basis of "the national requirements for professional manpower" argument, the committee asked the government to cover the overhead costs related to research operations financed by federal Councils and agencies, by making grants to the universities equal to 30 percent of the research grants; and to make direct grants for current and capital expenditures in schools of medicine, dentistry, nursing, physical education, social work, agriculture and forestry.

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176. "The Financial Problems of Canadian Universities," Finance Committee, National Conference of Canadian Universities, March 1, 1949 (mimeographed).

177. Ibid.

In July, 1949, the National Conference of Canadian Universities submitted a brief to the Massey Commission stating:

> ... if the Universities of Canada are to grow with the growth and the increasing needs of the Dominion, and indeed if they are merely to survive at their present stature, they will have to receive direct support from the Dominion Government.[178]

The brief contained four categories of federal support:

> 1. For the most costly professional faculties (Medicine, Dentistry, Agriculture, and Forestry), a direct grant of an appropriate sum per student per annum;
>
> 2. For the faculties of pure and applied Science and engineering, an expansion of the research grants to include an amount for overhead costs and a system of long-term (five-year) "block" grants for research to be distributed by these universities;
>
> 3. For the faculties carrying on instruction and research in Arts and Letters, the establishment of a Canadian Council of Arts and Letters, with power to make grants in its own field and to sponsor the development of libraries, art collection, etc;
>
> 4. For all faculties and for post-graduate studies, a system of Government scholarships and fellowships.[179]

These recommendation appear to have been conceived by, and for the benefit of, those universities which had substantial professional schools and faculties. At least that is the interpretation given to them by universities which did not have professional programmes, and by the Royal Commission.

Both great wars caused Canadians to examine their society and

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178. National Conference of Canadian Universities, Brief to the Royal Commission on National Development in Arts, Letters and Sciences, (Ottawa: NCCU, 1949), mimeographed, p. 16.

179. Ibid., pp. 16-17.

its institutions. Access to education for all able citizens was confirmed as an important goal of our society. [180]

In 1948-49 universities satisfied 56 percent of their costs either from fees or from endowment income. By the early 1950's, veteran enrolment was declining and universities were threatened with related decreases in federal assistance. This occurred at the same time as rising costs and rising non-veteran enrolment. [181] The provincial governments contributed less than a third (the remainder was made up of federal aid to veterans of the Second World War, a temporary occurrence). Twenty years later, in 1968-69, the picture was entirely different. Now student fees plus endowment income contributed about a quarter of universities' income. Governments supplied the rest. [182]

During the 1950's, the federal government offered to the provinces, and more particularly the universities, significant grants to help their expansion. A dispute, under the guise of the assertion of provincial autonomy, raged between the Quebec Premier, Maurice L. Duplessis, and the federal authorities, in particular

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180. Wilson, J., Canadian Education: A History, p. 382.

181. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament.

182. Bercuson, David J., Bothwell, Robert, and Granatstein, J.L., The Great Brain Robbery - Canada's Universities on the Road to Ruin, p. 15.

the Prime Minister Louis St-Laurent. [183]

The concern for "equality of educational opportunity", so prevalent in the 1950's and 1960's, was first expressed in the late 1930's, when tuition fees were increased to 40 or 50 percent of operating cost. Considerable apprehension was voiced that only students from higher income families would be able to pursue studies in universities. The same apprehension was expressed when the federal grants to universities under the Veteran's Rehabilitation Act were terminated. [184]

The Massey Commission Report(1951) declared that although universities were to be included under Section 93, there were several closely related areas for which federal assistance was not only constitutionally permissable but socially necessary. Amongst the areas to which reference was made, undergraduate scholarships, research support, and direct grants to universities were given priority. [185]

It is apparent that the federal government became a major factor in the development of Canadian universities in the 1940's and 1950's in contrast to the situation in evidence prior to World War II when its involvement was limited to its direction of the Royal Military College in Kingston and to its support of research

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183. Audet, Louis-Philippe, et Gauthier, Armand, Le Systeme Scolaire du Quebec: Organization et Fonctionnement (2nd ed.), pp. 137-151.

184. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 45.

185. Ibid., p. 32.

through such agencies as the National Research Council and such departments as Agriculture, and Lands and Forests. This important change in the government's role was the outcome, in part, of the financial support it provided first through the Department of Veterans Affairs program and from 1951 on, through the distribution of annual grants to the individual universities and colleges as recommended by the Massey Commission. It is important to recognize that this expansion of the federal role was general rather than specific and that what the federal government was providing was financial support, not direction. How the individual universities used the funds they received was their affair. [186]

In 1950, Prime Minister St. Laurent spoke of the need "to ensure to our universities the financial capacity to perform the many services which are required in the national interest of the nation." [187] He repeated this when introducing the per capita grants program in 1951: "... it is in the national interest ... to assist the universities to perform functions which are quite essential to the country ...". [188]

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186. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. 487.

187. The Right Honourable Louis St. Laurent, "Address to the Autumn Convocation of the University of Toronto," October 20, 1950, (mimeographed).

188. House of Commons Debates, Fourth Session, 21st Parliament, 1951, Vol. V., p. 4278.

Another important factor in the introduction of the per capita grants program in 1951 was interprovincial mobility. The universities of some provinces had not yet developed professional schools of sufficient size and quality to accommodate all students in their provinces who wished to enter professional programs, compelling them to seek admission in other provinces. This mobility of students continues to be an important element in the realm of federal-provincial and inter-provincial financial arrangements relating to post-secondary education. [189]

It its report submitted on June 1, 1951, the Massey Commission expressed concern about "the growing stress of purely utilitarian subjects in academic programs." [190] It is submitted that the Commission failed to appreciate the rationale for the seeming bias in favour of professional education. The NCCU was attempting to skirt the constitutional issue by requesting federal aid for those programs only which were deemed to be in the national interest, [191] the privy of the federal government.

Regardless, the Commission gave unqualified support to demands for federal financial assistance to both students and universities. It considered the constitutionality of the proposal and concluded

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189. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 46.

190. Royal Commission on National Development in the Arts, Letters and Sciences, Report (Ottawa: 1941), p. 143.

191. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 65.

that federal aid to individuals did not violate the constitution, as it did not

> ... constitute interference with the country's educational system, the independence of the educational institutions or the programmes of these institutions.[192]

It found that the federal government had not been very "generous" in the awarding of scholarships, and deplored the lack of financial aid to the humanities. Therefore, it recommended that a system of post-graduate scholarships, together with an extensive system of undergraduate scholarship was long overdue:

> ... federal aid to university undergraduates is generally accepted in principle, and this aid is welcomed by all provinces without hesitation provided that their jurisdiction in educational matters is respected and safeguarded.[193]

The Report stated that the deteriorating financial position of the universities led them to raise fees, thus restricting university education to the wealthy living in the university towns. Students from rural areas were at a disadvantage:

> The university is thus increasingly deprived of an element which gave it much strength in the past, and the student population is thrown out of balance. ...democratic principles demand that as far as possible equal opportunity be given to all our young people, rural as well as urban. The most effective way to create this

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192. Royal Commission on National Development in the Arts, Letters, and Sciences, Report (Ottawa: 1941), p. 145.

193. Ibid., p. 148.

> equality of opportunity is through a well-devised system of national scholarships.[194]

The Commission also recommended:

> That a body be created to be known as the Canada Council for the Encouragement of the Arts, Letters, Humanities and Social Sciences to stimulate and to help voluntary organizations within these fields, to foster Canada's cultural relations abroad, to perform the functions of a national commission for UNESCO, and to devise and administer a system of scholarships as recommended (by the commission).[195]

Concerning federal assistance to universities, the Commission recommended that:

> a) ... the Federal Government make annual contributions to support the work of the universities on the basis of the population of each of the provinces of Canada.
>
> b) ... these contributions be made after consultation with the government and universities of each province, to be distributed to each university proportionately to student enrolment.
>
> c) ... all members of the National Conference of Canadian Universities be eligible for the federal grants mentioned above.[196]

It is relevant to note that the recommendation provided for "consultation with the government ... of each province." Equally relevant is the fact that, in the implementation of the

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194. Ibid., p. 143 and 357.

195. Ibid., p. 357.

196. Royal Commission on National Development in the Arts, Letters and Sciences, Report, (Massey Commission), Queen's Printer, Ottawa, 1951, p. 355.

recommendation this part of it was ignored by the federal government.

Shortly after the Commission's Report was tabled in the House of Commons, the Prime Minister announced that:

> The government has ... reached the conclusion that it is in the national interest to take immediate action to assist universities to perform functions which are quite essential to the country, and indeed to the proper administration of the government ... We have decided that grants should be made available for the forthcoming academic year along lines recommended by the Massey Commission.[197]

The Prime Minister added that the government was not ready to ask Parliament to accept a permanent scheme of grants to universities, but for the forthcoming academic year it was to be "approximately equal to fifty cents per capita of the present estimated population of the country."[198] He also emphasized that the proposed aid was to be considered a supplement to, and not a replacement of, provincial grants:

> The federal action is intended to provide a necessary supplement to the assistance already made available by the provincial governments and it is our earnest hope that provincial authorities will not regard this federal contribution as in any way replacing their own obligations to the institutions which they have been supporting in the past.
>
> These federal grants are designed, moreover, primarily to assist the universities to maintain the highly qualified

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197. House of Commons Debates, Fourth Session, 21st Parliament, 1951, Vol. V., p. 4278.

198. Ibid.

> staffs and the working conditions which are essential for the proper performance of their functions - in other words, to maintain quality rather than to increase existing facilities. [199]

The federal government ignored the Commission's recommendation that the provinces be consulted in the distribution of federal aid. The Prime Minister stated:

> ... it would seem to me that the payment to which a registered student entitles an institution should go to the institution where he is registered. [200]

Shortly after the appropriation was voted, NCCU representatives met with the Deputy Minister of Finance to consider the administration of the grant. The Deputy Minister explained that the grant had been made for one year only, but that there would likely be legislation to put the grants on a more permanent basis, using the experience of the first year "as a sound basis for any subsequent Act of Parliament." [201]

The report resulting from this meeting indicates that the federal government was anxious to work closely with the universities in developing the financial assistance program. Not only was the Order-in-Council (due about September 15) to be drafted in accordance with recommendations requested of the

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199. Ibid.

200. Ibid., pp. 5020-5021.

201. National Conference of Canadian Universities, Executive Committee, Minutes, 11 July, 1951.

universities, but it was also to be "submitted to the NCCU for their approval." [202]

The decision not to consult the provinces seems to have been based on the view that there was no administrative need for such consultation:

> They (the federal government) had made the grants as automatic as possible and the distribution would be fixed in accordance with the terms of the Order-in-Council. The use to which the universities might put the grants was not restricted for this year, but the use actually made of the grants might determine the government's policy if subsequently there were legislative action. The only body the Government was consulting was the NCCU and there would be no statutory provincial committees ... [203]

The University of Montreal expressed strong disapproval concerning the role played by the NCCU in the drafting of the Order-in-Council, and with the failure to consult the provinces. In a communication dated 29 August, 1951, the university announced:

> ... the Executive Committee considers as extremely delicate the position in which the University has been placed if the provincial government has not been consulted in this matter. The Hon. M. Renaud observes notably that according to the Constitution, the domain of education belongs to the provinces and that the Province of Quebec has always manifested authorities on condition that its prerogatives and essential rights are respected. [204]

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202. Ibid.

203. Ibid.

204. Letter of Marcel Faribault to T.H. Matthews, 29 August, 1951, in Minutes of the NCCU Executive Committee for 1951.

The Communication also reflected the hope that the recommendations of the Royal Commission could be realized "in a formula satisfactory to all those interested", otherwise the University of Montreal could not "count upon the grant in question." This comment might suggest some pressure from the government of Quebec on the university to protest the proposed arrangements or lose its provincial support. A comparable communication was received by the NCCU from Laval University. The Rector (F. Vandry) wrote:

> I am surprised to learn that the government of the province of Quebec has not been consulted by the federal authorities on the subject of grants to be made to the universities of the province of Quebec.[205]

He pointed out that the Royal Commission had recommended consultation with the provinces in developing the federal aid scheme. The failure to do so was a regrettable "oversight," especially since "... the Prime Minister of the province of Quebec (Maurice Duplessis) appeared to me to be well disposed to accept a 'gentleman's agreement' with Ottawa." The Rector concluded that Laval could not participate in the negotiations with the federal government "unless the Government of Quebec has accepted the Federal proposals."

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[205]. Letter of Ferdinand Vandry to T.H. Matthews, 31 August, 1951, in Minutes of the NCCU Executive Committee for 1951.

In a communication to the University of Montreal [206] the NCCU took the view that a precedent for the procedures followed was to be found in the manner in which supplementary grants were provided to the universities under the Veterans Rehabilitation Act. Apparently no provincial government had objected at the time and it was assumed that no province would object in this instance. Obviously, there was no account taken of the fact that the motivation for and conditions under which the Department of Veterans' Affairs programme was instituted were entirely different.

It can be assumed that the Royal Commission had good cause for recommending consultation with the provincial governments. In a private communication, N.A.M. McKenzie wrote:

> I had urged that the monies should be distributed within the provinces by provincial committees made up of representatives of the university or universities, of the provincial department of education, and of the federal government. Had this been done I think we might have avoided the difficulty with Quebec. However, the government decided to deal directly with the universities at the outset.[207]

There is no record available of a rejoinder from the University of Montreal to the NCCU, but it is known that the matter was not set aside either by the government or the NCCU.

The opinion of the province of Quebec was reflected in a statement by Mr. Henri Courtemanche in the House of Commons on

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206. Letter of T.H. Matthews to Marcel Faribault, 4 September, 1951, loc. cit.

207. Peitchinis, Stephen G., Financing Post-Secondary in Canada, p. 71.

November 21, 1951. He declared:

> ... the province of Quebec is not opposed to this subsidizing of universities, "but" ... Quebec intends to refuse generous amounts, fearing they might cost us our language, our faith, our traditions.[208]

He proposed that the provinces would be financially able to assist their universities if the federal government were to return to them the taxing powers surrendered to Ottawa during the war. To quote:

> ... all they (the federal government) have to do is to hand back to the provinces those sources of revenue they have taken away from them. In this way, everybody would be satisfied. But this is not being done. Why? Because the true object of this federal strategy is not to help our universities but to interfere once more with provincial rights and prerogatives.[209]

It has not been possible to ascertain whether the views expressed by Mr. Courtemanche represented in fact the official policy of the Government of Quebec on the issue. Nevertheless, the federal government reacted without delay to the speech. On November 27 the NCCU Executive Committee was presented with a letter from the Department of Finance in which it was stated that the Prime Minister did not wish to submit the regulation concerning the per capita grants programme to the Privy Council until the views of the provinces had been secured. It seems that this satisfied Premier Duplessis, as he permitted Quebec universities to

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208. House of Commons Debates, Fifth Session, 21st Parliament, Vol. 1, 1951, p. 905.

209. Ibid.

accept the grants for the 1951-52 academic year. However, there were no modifications of any importance in the program for 1952-53. As a result the government of Quebec "advised" the universities of the province to reject the grant, with the implied threat that provincial grants would be withheld. The universities complied, and for the remainder of the program their share of the federal grant was deposited into the Consolidated General Revenue Fund of Quebec.

The system of federal grants introduced in 1951 represents a very significant departure from past methods of federal aid to institutions under provincial jurisdiction. The provinces were bypassed entirely: they were not consulted; their participation was not requested; the funds did not pass through their treasuries; and they were not made parties to the distribution of the funds amongst the universities.

The grant to each province was decided on the basis of provincial population (not college age population). The grant to each university was determined on the basis of full-time enrolment. The result was, of course, a gross maldistribution of grants amongst universities. Institutions in Newfoundland benefitted substantially more than those of any other province. The grant per student in Newfoundland was twice the size of grants received by universities in Nova Scotia and British Columbia, followed by universities in the relatively wealthy provinces of Ontario and Alberta. Although the nature of the federal grants program and

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the relative shares received by universities in different provinces are important considerations, from the standpoint of federal involvement in the financing of post-secondary education attention must be focused elsewhere: The program gave rise to the first major federal-provincial dispute on the constitutionality of federal involvement in the financing of post-secondary education. It has not been possible to determine who was responsible for the initial failure of the federal government to consult the provinces, and who prevailed in the decision not to confer with them, after the issue became the basis of serious conflict. It seems that the National Conference of Canadian Universities, which participated actively in the formulation of the program, opted out of the constitutional issue. They were interested in the money; not in the "political procedure ... in regard to possible discussions with provincial governments." [210] This attitude of self-interest is an example of what casts universities in a position of isolation from the problems of the community. Considering their wide ranging expertise, a superior alternative to their opting out would have been to organize a committee on the constitutional problem, and suggest alternative proposals for federal-provincial participation in the formulation of the program and in the distribution of grants. But, ever since its inception, the national organization of Canadian universities and colleges has consistently propagated

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[210]. Letter of T.H. Matthews to Marcel Faribault, 4 September, 1951, Ibid.

the national interest in university education and the requirement for federal presence in university activity. This continues to be its major function.

As has been indicated, the possibility that Quebec universities, (particularly the universities of Montreal and Laval), might not be in a position to accept the federal grants did not seem to concern the Executive of the National Conference of Canadian Universities. But, when the institutions actually declined the grants, and when a few years later it became evident that the per capita grant would remain fixed unless a way were found to remove the obstacle, serious consideration began to be given to alternative methods of distribution. The alternative suggested by the Prime Minister at a NCCU Conference on November 13, 1956, conveyed the impression that those who devised it were totally out of touch with the reality of the conflict. Instead of allowing for some sort of provincial participation in the allocation of the funds, the new plan simply provided for the distribution of the funds by the NCCU! The Prime Minister declared:

> In order to dissipate these fears and to make it abundantly clear that we do not intend to tamper with the freedom of any individual institution, we are proposing to hand over the monies voted by Parliament each year for that purpose to the National Conference of Canadian Universities which would divide it up and distribute it ... we propose to hand over the money to the NCCU to be allocated as if all eligible institutions were to accept their share of the total amount. If any one of them should feel that it cannot accept this assistance for the time being, we would propose to provide in our agreement with the NCCU that the money allocated to that institution

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be held in trust for it until it sees fit to ask for it. [211]

On January 29, 1957 the Prime Minister introduced a motion in the House of Commons to augment the per capita grants to $1.00 and to make the NCCU the distributing agency:

> To authorize payments to the National Conference of Canadian Universities (hereinafter called the 'conference') for the purpose of making grants to institutions of higher learning ... the total amount of grants to all the institutions ... in any one province be calculated by multiplying the population of the province by $1, and ... any amount payable to an institution of higher learning and not paid ... in the present fiscal year may be retained by the conference until such time as the institution to which the money is payable claims the payment from the conference or parliament provides otherwise for the disposal thereof. [212]

The option of giving the grants to the provinces appears to have been considered, but a decision was taken against doing so on the ground that the provinces may not have allocated them to the universities. Presumably the provinces would have refused to take the grants if they had been made conditional. Nevertheless, the Prime Minister explained:

> ... the provincial governments have a great many calls upon their finances, and these grants are recommended to parliament so they may go to the universities and to no

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211. "Address of the Prime Minister," in Canada's Crisis in Higher Education (Toronto: University of Toronto Press, 1967), p. 255.

212. House of Commons Debates, Vol. 1, 1957, January 29, p. 752.

> other quarter; and we think that by placing them in the hands of the National Conference of Canadian Universities they will go to those universities. [213]

The federal government found itself in a paradoxical situation; and the more it attempted to extricate itself, the more the problem was aggravated. In the same speech, the Prime Minister stated:

> I ... hope that ultimately it will convince the people who require university services throughout the whole of Canada that there is no intention and no possibility of this impinging upon the exclusive legislative jurisdiction of the respective provinces. [214]

But then he also felt compelled to declare:

> I believe that the Canadian government has the constitutional right to offer assistance to universities and that it is its duty and responsibility to do so. [215]

It does not come as a surprise to learn that nobody was amazed at Premier Duplessis' failure to change his policy upon the introduction of the new system. It was not difficult to recognize in the "new system" the creation of a federal agency for the distribution of grants to the universities. Basically, the exercise was a very unsophisticated political manoeuvre.

The grant was raised to $1.50 per capita in the fall of 1958 and to $2.00 per capita in 1962. But the universities remained

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213. Ibid., p. 781.

214. Ibid., p. 753.

215. Ibid.

unsatisfied; university administrators complained that the government and the public did not really understand the problems that universities were facing. In an effort to inform them, the Canadian Universities Foundation [216] elected to appoint its own "Royal Commission" on the financing of higher education in Canada. Considering the purpose of the commission, it came as no surprise that the persons appointed as commissioners were not known for their impartial views on the matter to be "investigated". [217]

Through this federal-provincial disagreements, the provinces, except Quebec, accepted the system of federal grants introduced in 1951. This failure to react resulted in being completely by-passed in the funding process. [218]

Yet, apart from the constitutional objections which Quebec raised, which led the Quebec government to refuse the grant after the first year, there was abundant dissatisfaction with the formula under which it was made. Indeed, President A.E. Kerr of Dalhousie called the federal grant "the most inequitable to be found anywhere in the British Commonwealth." As it turned out, the neediest of universities in the country, and the only ones without a provincial

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216. Incorporated in 1959 by the NCCU to act as the agent who would receive and disburse the federal grants.

217. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 79.

218. Ibid., p. 414.

grant, those of Nova Scotia, received the smallest federal grant per student.

The formula for distribution was conceived in this way: the grant was made on the basis of 50 cents per head within the population of each province. The provincial Department of Education was then requested to divide the grant among those "of university level" institutions - so named by the Federal Government, according to their registration of full-time students. This arrangement, probably considered the most politically justifiable, favoured the universities in provinces with the smallest proportion of their youth in university and penalized the universities in provinces with the largest proportion.

Dr. Kerr suggested that, since the Massey Commission proposed the federal grant because the service of the universities was not regional but truly national in scope, "it would be logical to suppose that the Federal Government would set a uniform national rate per student, irrespective of the location of the university" similar to what happened with the veterans' grant-in-aid.

The original proposal made by the National Conference of Canadian Universities to the Massey Commission for a federal grant requested that it be made on a per student basis. The universities asked at that time (1949) for a grant of $150 to $200 per student in the professional faculties and $100 in the others. In their brief to the Gordon Commission in 1956 they not only asked again that the federal grant be distributed on a consistent basis to

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universities according to student enrolment but urged that it be tripled in size. [219] The outcome was an offer by Mr. St. Laurent, presented in a speech at his alma mater, lately renamed the University of Sherbrooke, to double the amount of the federal grant and allow the National Conference of Canadian Universities to distribute it.

Mr. St. Laurent originally made his offer conditional on Quebec's participation, apparently confident that he had found a formula for ensuring this in his proposal that the National Conference of Canadian Universities should act as the distributing agency, thus removing any threat of federal interference in educational policy. But when M. Duplessis called the new move "an attempt to trespass by the side door" on provincial autonomy, and continued to insist that "federal grants to universities constitute an invasion of provincial rights,' Mr. St. Laurent asked the Quebec universities to put "electoral considerations" aside and take the money "which everyone knows they need".

M. Duplessis replied to this with all the force at his command. The Quebec Government was doing its duty, and he expected everyone else to do their duty. He was considering, not the next election, he claimed, but the next generation. The Federal Government was attempting to open the way to controlling the professions in Quebec. It had already trespassed in the field of

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219. Submissions of Canadian Universities to the Royal Commission on Canada's Economic Prospects, March 6, 1956.

education through the Canadian Broadcasting Corporation and the National Film Board. It was obviously exceeding its jurisdiction when it raised taxes and then sought to use them in a field which had been allotted to the provinces. It ought, instead, to allow the provinces the resources necessary for them to carry out their obligations. This view was one that was shared by other provincial premiers and heard at every Dominion-Provincial Conference. [220]

The praise which the Massey Report gave the universities for the service which they render to the national cause should not be used, the University of Montreal said, to justify federal jurisdiction over the universities. "It would appear, indeed, as if one were trying to identify the word 'national' with the word 'federal'." [221]

The University of Montreal did not come out flatly against the gift of federal money to the universities. Such a gift might be made as a temporary benefit, or it might be made for such a proper purpose as research. But, constitutionally, the funds must be handed over to the provinces without telling the provincial governments how to distribute them.

Quebec had good reason to feel put out as concerned the federal grants. Whereas the Massey Report had recommended that grants be given to all members of the National Conference of Canadian Universities, numbering only 32 at that time, the Federal

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220. Woodside, Wilson, The University Question - Who Should Go? Who Should Pay?, p. 158.

221. Ibid., p. 160.

Government had proceeded to select 90 recipients, 85 of them outside of Quebec. In that province only the five chartered universities were chosen. Quebec felt very strongly that its classical colleges had been unfairly discriminated against. When it undertook to distribute the subsequently enlarged federal grant to the Quebec universities in March, 1957, the National Conference of Canadian Universities reversed the Federal Government's decision of 1951 and accepted the college sections of the classical colleges as being of university level. The effect of the inclusion of these students would be to obtain for the French-speaking universities, an additional $2 million of the $16 million grant, if they were permitted to accept it.

Mgr. Lussier, Rector of the University of Montreal, personally announced himself as being in favour of accepting the federal grant under the new arrangement, at the special Universities Conference in Ottawa, devoted to the problems of university expansion, in November, 1956. But Marcel Faribault, formerly Secretary-General of the University of Montreal and author of that university's Tremblay brief, continued to insist that a continuing federal grant for university maintenance was an infringement of provincial rights in education. His argument was that a recurring grant required a vote by parliament, and that is legislation in the domain of education, in which, of course, constitutionally, the federal government is forbidden to be involved.

He viewed capital grants to the universities which were non-

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recurring as another thing. "This is merely financial aid, like a farm loan," and federal contributions for research were highly desirable.

In any event, M. Duplessis insisted that the Quebec universities persevere in refusing the federal grant. But the quantities refused, which would automatically have lapsed under the earlier arrangement, were now placed by the National Conference of Canadian Universities to the account of the universities concerned. Obviously, as these totals increased, so did the temptation to accept them. [222]

For many years, it has been accepted that the federal government has had an interest in the fruits of education and in research, whether pure or applied. When the Massey Commission "bellied forth" [223] its recommendations, it not only argued for direct federal aid to the universities on the grounds that the latter played "a national role", but also that they were "recruiting grounds for the national services," military and civil. They had made and were making a "great contribution ... to the defence of our country through the fundamental research work which they undertook during the war, and are continuing in the perilous times in which we live." The Commission went on: "Scientific

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[222]. Ibid., p. 161.

[223]. Bercuson, David J., Bothwell, Robert, and Granatstein, J.L., The Great Brain Robbery - Canada's Universities on the Road to Ruin, p. 15.

research is essential to material well-being and national security; the universities gave it birth, without them it would die." [224]

Another development in federal involvement saw the opening in 1952, of a third military college. Le College Militaire Royal de Saint-Jean was located at Saint-Jean, Quebec and, like the other two, was entirely federally funded. [225]

Also, prior to 1953, the Catholic normal schools were not connected with the universities. In that year, normal schools for men and women were put on the same footing as universities as far as curricula and examinations were concerned.

In the same year, the Citizenship and Language Instruction Agreement came into effect: At this time the federal government began entering into agreements with all provinces (except Quebec, which joined in 1969) to share the costs of official language and citizenship education for adult immigrants as candidates for Canadian citizenship. The Citizenship Branch had been supplying textbooks for adult immigrants since 1947. Responsibility for selecting the textbooks was given to the provinces in 1962, but federal funding continued.

There exists considerable controversy regarding the actual federal contribution supporting research activities in universities. The controversy stems from the problem of costs

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224. The Report of the Royal Commission on National Development in the Arts, Letters and Sciences, 1951.

225. Secretary of State, Support to Education by the Government of Canada, p. 26.

associated with the expenditure of research grants - indirect costs.

The concern over overhead or indirect costs associated with research grants was first raised in the early 1950's. At the 1953 National Conference of Canadian Universities, A.M. Parent of Laval University maintained that: "... research grants from the governments or from the industries instead of being a help to the university in balancing their budget, proved to become for them, most of the time, an additional financial burden." [226] He suggested that university administrators should make it clear to governments and industry "... that at least the grants offered for applied research should not become a burden to the universities but should enable them to maintain the necessary standards in the basic disciplines." [227] The Chairman of the Defence Research Board, Dr. O. Solandt, responded that "... Canadian universities were performing their true function when they accepted research grants, even if they cost money to administer." [228]

Through the National Research Council, established in the First World War, and the Defence Research Board, established in the Second World War, Ottawa has poured millions into the science side of the universities. One has merely to glance over their financial

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226. Alphonse - Marie Parent, "University Administration," in National Conference of Canadian Universities, Proceedings, 1953, p. 44.

227. Ibid.

228. Ibid.

statements to see how significant this contribution has become to their research activities. Thus McGill received nearly $1 million from these sources in 1954-55 when it was prevented by the provincial authorities from accepting "federal aid". [229]

Another federal department making very ample research grants to the universities is the Department of National Health and Welfare. For Dalhousie these grants amounted to more than the regular grant of federal aid, in 1953-54. This department had also paid out millions in bursaries for postgraduate studies in Public Health, Hospital Administration and Hospital Service between about 1950 and 1958. [230]

In 1954, the government of Quebec granted a charter to establish the University of Sherbrooke. On the English side, the two oldest universities in Quebec, McGill and Bishop's, also underwent extraordinary development, particularly at McGill in the science and engineering faculties. [231] The School for Teachers at Macdonald College became McGill University's Institute of Education in 1955. [232]

There were special meetings held of the National Conference of Canadian Universities and Colleges in 1956 and 1961. These were

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229. Woodside, Willson, The University Question - Who Should Go? Who Should Pay?, p. 155.

230. Ibid.

231. Wilson, J., Canadian Education: A History, p. 347.

232. Ibid., p. 346.

planned to alert federal and provincial governments and the Canadian public to the grave financial crisis confronting the universities in their effort to fulfil their responsibilities. [233]

In 1957, the Canada Council was founded following a recommendation of the Massey Commission. The Canada Council disbursed $50 million (plus accrued interest) for university buildings between 1957 and about 1967, using a provincial per capita population formula. It also began an extensive scholarship program in the arts, humanities and social sciences. [234]

Demands on the university system in Canada increased sizeably throughout the 1950's. Measures were introduced by the federal government to alleviate some of the pressure by using two direct funding formulas: the research grant and the student loans.

Using the Canada council, the federal government distributed research grants to different projects across Canada, providing, therefore, some support to the infrastructure of post-secondary institutions.

Through the Canada Student Loan Program, the federal government provided assistance to ensure that all individual with ability to attend an institution of post-secondary education was provided with the financial means to do so.

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233. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. xxi.

234. Secretary of State, Support to Education by the Government of Canada, p. 26.

The first example of an opting-out arrangement occured in 1959 in relation to the federal government scheme of direct grants to universities established earlier on. In this incident, Quebec accepted increased tax points in place of grants to its universities. [235]

1960 was the beginning of a period in higher education in Canada which lead to the extraordinary expansion of the mid-1960's which, among other things, was characterized by the growing involvement of provincial governments in university affairs. [236] In the period between 1960 and 1975 expenditures on all levels of public education, including universities, increased sevenfold, from $1,706,000,000 to $12,228,000,000. "At the time all this expenditure of public money seemed worthwhile. Faith in education as a panacea for society's ills persisted." [237]

The rate of increase in costs of post-secondary institutions between 1960 and 1969 was considerably greater than the rates of increase in Gross National Product, Total Public Expenditures and Total Expenditures on Education. The result is reflected in the change of the relative proportions: as a proportion of Gross National Product, expenditures for post-secondary education increased from 0.69 percent to 2.20 percent; in relation to the

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235. National Forum Secretariat, The Institute for Research on Public Policy, The Forum Papers, p. 5.

236. Harris, Robin S., A History of Higher Education in Canada 1663-1960, p. xx.

237. Katz, Joseph, Education in Canada, pp. 197-198.

Total Public Expenditures, they increased from 1.95 percent to 5.64 percent; and in relation to expenditures on education generally, they increased from 15.53 percent to nearly 26 percent. [238]

The extraordinary rise in operating expenditures is accounted for largely by increased enrolment. Thus, while the increase in total operating costs of universities amongst the provinces varied between a high of 1,236 percent in Newfoundland and a low of 304 percent in Quebec, the increase in operating costs per student varied between a high of 221 percent in Newfoundland and a low of 95 percent in Manitoba. When total operating costs are reduced to a per student basis, the considerable differences amongst the provinces decrease significantly and a remarkable degree of uniformity emerges! Between two-thirds and six-sevenths of the growth in operating costs during the period is accounted for by the increase in enrolment! [239]

In non-university post-secondary institutions, the rise in operating expenditures is accounted for to an even greater extent by the increase in enrolment: the 477 percent increase in total operating costs over the period 1960-1970 is reduced to a mere 61 percent on a per student basis. [240]

In 1960 the federal government replaced the Vocational

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238. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, pp. 416-417.

239. Ibid., p. 417.

240. Ibid., p. 418.

Training Coordination Act of 1942 with the Technical and Vocational Training Act (TVTA) - a series of cost-shared programs undertaken to upgrade Canada's skilled manpower training facilities, including capital assistance for the establishment of new training facilities. [241]The act allowed any province to enter into an agreement with the federal government for a period not exceeding six years. [242] Like its predecessor, the TVT programs were implemented through separate agreements signed by the federal government with each province. The program was heavily utilized, to a greater extent than had been expected. [243] Through subsidiary federal-provincial agreements, the Act laid a considerable part of the foundation for the establishment of community colleges. To begin with, federal conditional grants, at fully 75 percent of provincial expenditures, transformed secondary school curricula by placing new emphasis on technical and vocational streams. In the longer run, the post-secondary ambitions of the students enroled in these streams created a pent-up demand, much of which was finally channelled, by provincial policy, into community colleges. [244]

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241. Secretary of State, Support to Education by the Government of Canada, p. 8.

242. Dennison, John D., and Gallagher, Paul, Canada's Community Colleges - A Critical Analysis, p. 35.

243. Secretary of State, Support to Education by the Government of Canada, p. 27.

244. National Forum Secretariat, The Institute for Research of Public Policy, The Forum Papers, p. 5.

In 1967, the TVTA was replaced by the Federal-Provincial Fiscal Arrangements Act (1967), which provided general post-secondary education funding, and the Adult Occupational Training Act, which focused on more specific training areas. This act saw the new federal Department of Manpower and Immigration purchase services from institutions for the upgrading and retraining of adult workers. [245] Some provinces objected to the unanticipated ending of TVT and steps were taken to phase out some of its provisions after 1967.

Ontario, realizing the importance of increasing the number of skilled workers if its industrially based economy were to continue to expand, took full advantage of the funds available in the TVTA to achieve this objective. That province even managed to obtain more than its expected share of federal funds for buildings and equipment when several other provinces did not capitalize on the allocation of funds which their populations warranted. The "instant" system of Colleges of Applied Arts and Technology in Ontario, with heavy and sustained emphasis upon technical and vocational education, might never have materialized in the absence of the federal financial support. While the universities, through learned explanation, supplied ideological justification for the particular orientation of Ontario Colleges, the practical fuel for their development came via initiatives of the national

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245. Secretary of State, Support to Education by the Government of Canada, p. 27.

government. Federal funds were easily available to the new colleges, for both the capital and operating costs. In fact, access to federal funds through the Technical and Vocational Assistance Act (TVTA) of 1960 was instrumental in the course that Ontario colleges would take.

Criticism increased over the various agreements under the Technical and Vocational Training Act of 1961. Though the agreements had helped the much-needed construction of secondary and post-secondary technical and vocational schools across the country, there was a some concern in various provinces that these shared-cost agreements caused too much pressure to be exerted by the federal government on provincial programs. [246] As Prime Minister Pearson himself said, the federal government should not impose educational policies on the provinces - this was a decision the provinces needed to make for themselves:

> Under the present system, a province has a stronger incentive to establish and operate a post-secondary institution that can qualify under the training agreement, than it would have to provide additional university facilities for which there is no shared cost incentive. The expiration of the training agreements March 31, 1967 provides an opportunity to remove this anomaly and to treat all post-secondary institutions alike. [247]

In 1961, university grants were modified to suit Quebec. In

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246. Wilson, J., Canadian Education: A History, p. 462.

247. Pearson, Lester, "Statement by the Prime Minister for the Federal-Provincial Meeting, October 24, 1966", Canada: Office of the Prime Minister, October 23, 1966, p. 6.

1960-61, an agreement was reached so that Quebec and any other provinces that wished to (none took up the offer) could pay grants directly to its institutions from increased provincial revenue resulting from a change in federal-provincial tax-sharing agreements whereby one point of corporate income tax reverted to the province.

Two other events occurring in 1961 were student-related: firstly, income tax deductions for tuition fees were implemented [248]; and secondly, the Minister of Public Works announced that the National Housing Association mortgage funds would be available for university residences since "... such residences are needed if our universities are to fulfil their national function." [249]

In 1963, a second non-university institution was established in Newfoundland - the College of Fisheries, Navigation, Marine Engineering, and Electronics (commonly called the College of Fisheries). This was done largely on the initiative of Premier J.R. Smallwood. The province, though dependent upon the fishing industry, has not previously provided an opportunity for formal study or research into this activity. Indeed, no other such facility existed in Canada, and the founding of the college attracted federal financial support much in the fashion of

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248. Secretary of State, Support to Education by the Government of Canada, p. 27.

249. House of Commons Debates, Vol. 1, Session 1960-61, p. 95.

agricultural colleges in other provinces. The College of Fisheries began with a general education upgrading programme for a student clientele with little formal preparation for the refined study of the science of fishing. With federal funding, the college then concentrated on vocational training for an industry critical to the economy of the province and previously ignored everywhere in Canada as a formal area of study. [250]

The federal government became involved in student assistance in 1964, when it joined with the provinces in launching the Canada Student Loans Programme (CSLP), including a Quebec variant. [251] The general rationale for the programme was to encourage participation in post-secondary education and therefore economic growth. The aim of the programme was to be sufficiently generous to make certain that no able young man or woman who was capable of entering university and interested in doing so, will be excluded by lack of finance. [252] Quebec opted out and received an alternative payment. [253] The 1964 programme replaced the Dominion-Provincial

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250. Dennison, John D., and Gallagher, Paul, Canada's Community Colleges - A Critical Analysis, p. 65.

251. National Forum Secretariat, The Institute for Research on Public Policy, The Forum Papers, p. 5.

252. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament.

253. Secretary of State, Support to Education by the Government of Canada, p. 27.

Student Aid Programme (DPSAP) initiated under provisions of the Youth Training Act in 1939. [254]

The Act authorized the federal government to guarantee loans made by banks to eligible students to a total of $40 million for 1964-65. Full-time post-secondary students who were Canadian citizens or residents could borrow up to $1,000 a year to a total of $5,000. The federal government paid the interest while the student was enroled, and for six months thereafter. Interest would then be charged to the student at 5 3/4 percent per annum. [255] Repayment was to be made within ten years. The total amount available was to be allocated among the provinces in proportion to their populations aged 18 to 24; the available allotments were to be increased each year in proportion to the increase in that age group.

The province of Quebec opted out of the plan and received compensation based on the total operating cost of the plan, and the relative size of its 18-to-24-year population.

Students benefitted fully from the plan: within a few months the allocations to Ontario, Nova Scotia and Prince Edward Island had to be increased to accommodate applicants. During the first year the plan was in effect, 41,571 students borrowed an average of $775 each. In 1965 a means test was introduced for loan

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254. Secretary of State, Support to Education by the Government of Canada, p. 8.

255. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p.87.

eligibility, and in 1966 the federal government passed responsibility for the administration of the plan to the provinces. [256]

The availability of federal financial support for academic programmes and the interest expressed by students in university level studies led several Alberta communities to enter the post-secondary field. Attracted by the prestige associated with universities, they took the initiative to establish community colleges which would be predominantly university-transfer institutions. Following the "Lethbridge pattern," public colleges were established in Red Deer in 1964, Medicine Hat in 1965, and Grande Prairie in 1966. In each case the enrolment was small, the students were primarily of college age, and the curriculum was university oriented.

British Columbia took an interest in community colleges at this time as well. In the initial period, college operations were funded through a formula by which 50 percent of operating costs were funded from local tax sources and student fees with the remainder from the provincial budget. [257]

By 1966, the federal government had become a major and permanent participant in post-secondary education. In this atmosphere where government seemed to be interested in providing

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256. Ibid., p. 88.

257. Dennison, John D., and Gallagher, Paul, Canada's Community Colleges - A Critical Analysis, pp. 20-21.

additional types and amounts of funding, [258] universities in Canada were financed by four sources: the provincial government - 40 percent; the federal government - 22 percent; student fees - 25 percent; and other sources, such as endowments -13 percent. [259]

By the mid-1960's, it was anticipated that post-secondary education enrolment would likely double in about ten years. The Association of Universities and Colleges of Canada (The National Conference of Canadian Universities was formed in 1891, it was renamed the National Conference of Canadian Universities in 1959 and finally the Association of Universities and Colleges of Canada in 1964 or AUCC), appointed a commission (the Bladen Commission) to research the financing of higher education in Canada. It's report, issued in 1965, recommended greatly increased federal aid to universities for both operating and capital purposes (per capita grants), a capital funds grant, more support for research, the establishment by the provinces of grants commissions, annual federal-provincial discussions to review the adequacy of the federal contribution, and assignment to a minister of the Crown, the responsibility for coordinating assistance to universities from all federal agencies. The last recommendation led to the creation of the Educational Support Branch of the Department of the

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258. Hurtubise, Rene, and Rowat, Donald C., The University, Society and Government, The Report of the Commission on the Relations Between Universities and Governments, p. 132.

259. Johnson, Henry, A Brief History of Canadian Education, p. 191.

Secretary of State, in time to make 1966-67 per capita University Grants payments and to be involved in a new program started in 1967. [260] It also recommended that grants be distributed among the universities within a province according to a formula of weighted enrolments. In January 1966, the federal university per capita grant was increased to an average of $5, using a weighted enrolment formula taking into account, for the first time, part-time and out-of-province students. [261] The grant was then to be increased by $1 per year until the discussions between the federal government and the provinces "lead to an appropriate revision of the amount of the grants." In an effort to introduce some relationship between costs of programs and the allocation of funds amongst the universities, the commission recommended that the grants be distributed among the universities within each province according to a formula of weighted enrolment. Each province was free to ascertain its own weights. [262]

Further to the Commission's recommendation that the federal government initiate annual discussions with the provincial governments to review the adequacy of the federal contribution to the cost of higher education, there were stipulations which

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260. Secretary of State, Support to Education by the Government of Canada, p. 10.

261. Ibid., p. 27.

262. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 80.

respected the provinces' constitutional rights. Federal support was to be in a form which avoided any invasion of the provincial right, and obligation, to direct and control such education. [263] On the other hand, the Commission attempted to define formulae for providing the operating revenues of universities and for allotting the portions to come from tuition fees, federal and provincial governments and corporations. [264]

The Bladen Commission also agreed that the cost of education exceeded the provinces' limited resources. It identified a relationship between education and culture, and the national, even universal role of the university. Given how these influences would benefit the national cause both directly and indirectly, it emphasized that universities may be regarded as the finest contributors to national strength and unity. [265]

Considering the nature of the relationship between Ottawa and Quebec, it is not surprising to find completely opposite arguments in the report of the Tremblay Commission. The conclusion reached by this Commission was that provincial jurisdiction is exclusive, and that the federal government should direct its general and fiscal policies in such a way as to allow the provinces to perform

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263. Commission on the Financing of Higher Education in Canada, Financing Higher Education in Canada, p. 67.

264. Hurtubise, Rene, and Rowat, Donald C., The University, Society and Government, The Report of the Commission on the Relations Between Universities and Governments, p. 191.

265. Ibid., p. 130.

fully and completely the roles and duties that were assigned to them in the B.N.A. Act. [266]

Soon after the publication of the Bladen Report, the Association of Universities and Colleges of Canada prepared a brief on the financing of higher education addressed to the Government of Canada and the "Governments of the Provinces." [267] It is worth noting that this was the first time that the Association of Universities and Colleges of Canada addressed itself to the "Governments of the Provinces". It is equally notable, however, that there is no evidence of any effort on the part of the Association to initiate joint discussions with the federal government and the governments of the provinces.

It has not been possible to evaluate the effect of the new grants formula, since the per capita grants program was terminated at the end of 1966. At the federal-provincial conference of October 24-28 of that year, the federal government announced a new formula for federal assistance to post-secondary education, which was embodied in the federal-provincial Fiscal Arrangements of 1967. The federal government withdrew its direct support for the operating costs of universities and phased out its support of technical and vocational training, and instituted a scheme whereby four percentage points of the personal income tax

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266. Ibid., p. 131.

267. Association of Universities and Colleges of Canada, "A Submission to the Government of Canada and the Governments of the Provinces," October 14, 1965.

and one percentage point of the corporate income tax were to be transferred to the provinces. In addition, an adjustment payment was to be made to bring the total transfer up to the greater of $15 per capita provincial population or fifty percent of the operating expenditures of post-secondary establishments in each province. [268] In effect, Quebec's long-standing position on the role of provincial governments, and its opposition to direct payments to universities was adopted. [269] Prime Minister Pearson stressed that in accordance with the Canadian Constitution, the development of the pattern of education was a matter of provincial jurisdiction. However, education and especially higher education was of profound importance to the economic social growth of Canada as a whole. Therefore, considering the role of the federal government in employment and economic activity in Canada, it had "specific and particular responsibilities to which higher education is relevant." [270]

He added that "this does not mean that the federal government can or should impose on the provinces any views as to how much money should be spent for education or in what way it should be

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[268]. Peitchinis, Stephen G., Financing Post-Secondary Education in Canada, p. 82.

[269]. Hurtubise, Rene, and Rowat, Donald C., The University, Society and Government, The Report of the Commission on the Relations Between Universities and Governments, p. 133.

[270]. Ibid., p. 134.

applied." He also recognized the need for tying the funding formula to the rise in the provinces' educational costs. [271]

The agreement, in effect, not only provided provincial governments with a reduction in direct federal government intervention in the post-secondary education field, but also with a bottomless source of funding allocated from federal coffers with the proviso that the money should be (as opposed to shall be) used to support post-secondary education.

At this time, Ottawa announced its intention to enter the field of adult occupational training and retraining. The reasoning was that this was necessary to discharge its responsibilities for national labour mobility and the general level of employment. [272]

In 1963 a "special advisor on university grants" was named in the office of the Prime Minister, but the post lapsed 18 months later. In 1966, a "special consultant" was named to the Secretary of State to advise on the federal government's new pattern of aid. This function was formalized in 1967 as the Educational Support Branch of the Department of the Secretary of State. Two other bodies with responsibility for recommending federal government policy also relevant to post-secondary education were the Economic Council of Canada, established in 1963, and the Science Council of Canada, established in 1966. [273]

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271. Ibid.

272. Wilson, J., Canadian Education: A History, p. 462.

273. Ibid., p. 429.

In June of 1966, an act was passed to amend the Research Council Act. In keeping with the federal government's "nationalistic" orientation, the "long" title "Research Council Act" was given the "short" title "National Research Council Act". Of course, this Act also represented the establishment of the National Research Council of Canada. [274]

Another avenue of federal aid was introduced in 1966, when the Health Resources Fund Act provided some $500 million to enable schools, hospitals and other institutions to develop and equip health-training facilities. This was followed by provincial governments setting up their own funds, either health or athletic, in order to retain some measure of autonomy in this realm. [275]

The Science Council of Canada was founded in 1966, following a recommendation of the Royal Commission on Government Organization (the Glassco Commission). This was proposed to provide advice and research on science policy, including support of science and technology in the post-secondary sector. [276]

The Canadian Association for Adult Education sponsored a national seminar in 1966. Norman Sisco, Director of the Applied Arts and Technology Branch of the Ministry of Education, was at

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274. Secretary of State, Support to Education by the Government of Canada, p. 28.

275. Statutes of Canada, 1966-67, Queen's Printer, Ottawa, pp. 311-315.

276. Secretary of State, Support to Education by the Government of Canada, p. 28.

this meeting, and stated "I believe that , in a spirit of goodwill and mutual understanding, a new basis of federal-provincial cooperation can be developed which will be in tune with the philosophy of the present Federal Government." [277]

Yet another development in 1966 was the passing of the Training Allowance Act (1966). This Act provided for allowances to persons being trained under technical and vocational training programs in all provinces.

The lack of direct federal involvement has not seriously hampered the institutional discretion of Canada's community colleges. The federal role in vocational training and in adult education has, however, been of a different order. While it has been clear and accepted by both levels of government that education is exclusively a provincial responsibility, the same could not be said of training; particularly because training or vocational education can be seen as directly related to economic development, an acknowledged federal responsibility. The federal government has been able at different times to fund and influence training, as the distinction between "education" and "training" has never been sharply drawn. [278]

Similarly, it has been a convenient Canadian myth that only

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277. Sisco, N., Canada's Manpower Training and Education: A View from Ontario, (Canadian Education and Research Digest), 7, No. 4, (1967): 303.

278. Dennison, John D., and Gallagher, Paul, Canada's Community Colleges - A Critical Analysis, p. 183.

young people are to be educated, while only adults require training or retraining. This is another example of governments not been able to agree on clearly stated definitions for the terms education and training, and so it has been possible for the federal government to assume some responsibility for costs associated with the training of adults, without clearly stipulating where youth ends and adulthood begins. At different times in Canada's past, the two levels of government have worked out separate pragmatic definitions so that they could get on with a job both wanted done without constitutional bickering. [279]

The Technical and Vocational Training Assistance Act of 1960 gave momentum to the contemporary role of the federal government in adult training. All it really did in reality, though, was to serve as a prelude to the Adult Occupational Training Act of 1967. [280] This act was passed on the explicit grounds that the federal government was well within its jurisdiction in shaping the training of adults to satisfy national economic priorities. The act allowed the federal government to determine who was to be trained. The suitable role of the federal government in post-secondary education remains a major issue to that government, the provinces, and post-secondary institutions.

In 1957, when the Canada Council was formed, one of its

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279. Ibid., pp. 183-184.

280. Young, D.R., and Machinski, A.V., An Historical Survey of Vocational Education in Canada, (Ottawa: Canadian Vocational Association, N.D.), p. 53.

mandates was to support scholarly research. At that time, the Council was independent, and the arm's length distance between recipients of Canada Council research grants and the government was genuinely honoured. The Council received its funds from the public purse, originally in the form of annual grants. However, it was genuinely independent: it could set up its own procedures, award grants in areas it selected and to those individuals it chose, and decide in which directions to throw its considerable weight. By the end of the 1960's, the government, as provider of the cash, was starting to seek more control over the operations. If it was paying, the argument went, surely it had both the right and the responsibility to ensure that the country received some value for the public's money. The Social Science and Humanities Research Council of Canada was created, responsible to a minister of the Crown, and the SSHRCC took over from the Canada Council the responsibility for backing research in the humanities and social sciences.

Very rapidly, the government began to interject itself into the hitherto private world of the scholar. A series of research fields - the study of the aged or the North, for example - became designated as "strategic areas", and those who had earlier worked in such areas or who were now willing to switch their focus became virtually assured of funding without stint. [281]

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[281]. Bercuson, David J., Bothwell, Robert, and Granatstein, J.L., The Great Brain Robbery - Canada's Universities

Up until 1966-67, federal and provincial government grants to universities came directly from each government. Effective 1967-68, they became one payment made through the provinces. [282]

Major Trends

The Second World War brought with it an unprecedented level of government intervention required to wage modern conflict. The war effort made major economic, social and psychological demands on everyone, setting the stage for Keynesian economic and social initiatives. Returning veterans came back home knowing they had paid a valuable sacrifice for their society and were expected to receive rewards in keeping with the role they had played. Challenged to maintain its legitimacy, the Canadian State re-directed the bureaucracy and resources acquired during the war and attempted to address the demands for health, education and social services. [283]

From the shortcomings of private intervention during the Depression and the massive public intervention required to successfully meet wartime requirements, a general consensus emerged that private service agencies did not meet the needs of the population equally and politicians were eager to respond with legislation that mandated provision of services in a way which would ensure fair and equal distribution.

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[282] Wilson, J., Canadian Education: A History, p. 429.

[283]. Linder and Sensat quoted by Skidelsky, Robert, The End of the Keynesian Era, p. 58.

In order to have a better understanding of events that occurred during this period, it is important to comprehend the fiscal environment of the time. The war years introduced the concept of a strong central government to exercise control over the economy. The Prime Minister, Mr. William Lyon MacKenzie King, referred to the Dominion-Provincial Resolutions in the Post-War period:

> The federal government is not seeking to weaken the provinces, to centralize all the functions of government, to subordinate one government to another or to expand one government at the expense of others. Our aim is to place the Dominion and every Province in a position to discharge effectively and independently its appropriate functions. In other words, we believe that the sure road of Dominion-Provincial co-operation lies in the achievement in their own sphere of genuine autonomy, I mean effective financial independence, not only for the wealthier provinces but also for those less favourably situated.
>
> We believe that once the provinces have reasonable financial security, it will be much easier for them to co-operate with the Dominion in the furtherance of policies which neither can bring into effect successfully without the help of the other.
>
> To put it very briefly, we regard autonomy and co-operation as essential means of achieving satisfactory Dominion-Provincial relations.[284]

This was a recognition that while the federal government had extensive taxation powers, it nevertheless needed the cooperation of the province to maximize the benefits of any funding expended in

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[284]. Proceedings, Dominion-Provincial Conference on Reconstruction, p. 5.

fields where provinces had clear constitutional jurisdiction, such as post-secondary education. .

Using the "ability to spend" that it acquired during the emergency situation created by the war, the federal government used a direct funding formula to handle the demand for post-secondary education when it increased sizeably after World War II.

The Government of Canada introduced the Veterans Rehabilitation Act (1945), to assist veterans wishing to pursue vocational or post-secondary education. [285] By paying directly to the recipient tuition fees and a monthly living allowance, the Act allowed more than 50,000 veterans to attend universities. [286] To cope with this influx of students, universities were provided with a direct subsidy of $150 per year for each veteran enroled and were given further direct capital grants to expand buildings and facilities. [287]

A large number of individuals took the opportunity to attend post secondary institutions, stretching the ability of universities to the limit. However, by the early 1950's the educational needs of the veterans were now satisfied and universities were threatened with related decreases in federal assistance at a time of rising

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[285] Johnson, Henry, A Brief History of Canadian Education, p. 121.

[286]. Ibid., p. 191.

[287]. Association of Universities and Colleges, Financing Higher Education in Canada, p. 23.

costs and rising non-veteran enrolment. [288]

In 1951, the Royal Commission on National Development in the Arts, Letters and Sciences (The Massey Commission) identified this financial crisis in the universities and concluded that federal intervention was necessary to achieve equality of opportunity in the economic, social, and cultural life of Canada. The federal government assumed these duties by instituting a system of regular direct grants to universities on a per capita basis, a system that was accepted in all provinces except Quebec. [289] It remained in effect until 1965 when direct contributions by the federal government were withdrawn and a tax abatement system which made an equal or greater contribution was instituted. [290]

There were further federal initiatives in 1957. The Canada Council was established, making available grants and fellowships in support of university research. [291] The Technical and Vocational Training Assistance Act of 1960 encouraged provincial expansion of technical and vocational training facilities through cost-sharing

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288. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament.

289. Ibid.

290. Johnson, Henry, A Brief History of Canadian Education, p. 192.

291. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament.

of operating and capital expenditures. [292]

In 1964, the Canada Student Loans Program, an extensive program of support to post-secondary students was introduced. The aim of this program was to ensure that no able young man or woman who was capable of entering university and interested in doing so, would be excluded by lack of finances. [293]

Throughout the '50s and '60s, demand for post-secondary education continued to escalate. From an enrolment of 78,000 in 1956-57, the university population grew to over 230,000 in 1966-67. [294] In response to this sizeable increase in enrolment, direct federal grants to universities grew from 50 cents per capita of provincial population in 1951-52 to $5 per capita in 1966-67.

For the period of 1941 to 1962, the era of the tax rental agreements gave the national government effective control of two of the important tax sources for fiscal purposes, particularly individual income tax. The control was not complete due to the abstention of Quebec from 1947 on and of Ontario during some parts of the period, but it was for all practical purposes

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292. Johnson, Henry, A Brief History of Canadian Education, p. 122.

293. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament.

294. Cory, J.A., The Future of Higher Education in Canada, a paper contained in Higher Education in a Changing Canada, p. 8.

effective. [295] The problem of divided fiscal authority did not seriously arise as an issue in this period, and until 1962 the Government of Canada was able to act to the best of its ability without any strong challenge to its power. After 1962, the tax collection system replaced the old rental agreements and while in theory this should have seriously reduced the federal authority, as it was worked out the provincial ability to use the tax fields was limited by the necessity of following the federal lead in the levying of those taxes. The provincial "freedom" was to some extent illusory and the situation was basically unchanged. [296]

Another important fiscal change introduced during this period was the concept of equalization and stabilization. While the process of equalization of provincial revenues was not directly related to the management of the economy it has enabled provinces to provide a more acceptable standard of public services by transferring funds to poorer regions for the establishment and maintenance of social programs similar to the one existing in the wealthier provinces. On the other hand, stabilization provided provinces with a predictable source of funding from federal transfer payment as the federal government committed itself to guarantee that the amount of annual payment received by each province would not fall below the previous payment. This enabled

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[295]. Burns, B.W., Report: Intergovernmental Liaison on Fiscal and Economic Matters, p. 85.

[296]. Ibid., p. 86.

provinces to have substantial portions of revenues guaranteed therefore making it more feasible for them to accept the responsibility of maintaining their expenditure at a level consistent with the needs of the economy, especially in periods of economic stagnation, [297] where they were now better fiscally equipped to accept debt-financing to reduce the impact of a recession.

With relatively unlimited economic growth governments were enjoying increased taxation revenue. Each increment in real growth of the national economy tended to directly increase the ability of Government to create a new program without having to make cuts elsewhere. It also led people to believe that the system was working well for them. As new problems arose, interest groups lobbied the Government, rather than seeking other means of resolving their problems, normally resulting in the development of another new program. [298]

The government was then in an enviable position, being able to meet most if not all of the needs of competing interest groups. It was perceived to have introduced programs dealing effectively with the targeted social program, while still serving the cause of the common good, and meeting the financial and organizational expectations of the community and the Civil Service.

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297. Ibid., p. 89.

298. Levine, Charles H., Managing Fiscal Stress - The Crisis in the Public Sector, 1980, p. 68.

The focus was on developing strategies to meet community needs and little or no attention was paid to ensure efficiency, effectiveness, or accountability of public spending. [299]

This new understanding of the role of government in the economic life of the nation laid the ground work to justify increased intervention in the post-secondary sphere. While justification for government interest and support of post-secondary education have ranged from requirements of national security to those of economics, from the need to survive in an increasingly technical age to the preservation of cultural identity. [300] It has nevertheless inherited a sizeable increase in government funding during this period.

Another important feature of this period was the establishment of the different lines of communication between the players involved in the controversy over post-secondary education. From these, the university drew considerable independence vis-a-vis the other players, as they would play one level of government against the other to secure funding while maintaining a larger degree of independence.

The end result was that for the first time, the provinces were by-passed entirely by the federal grants program of 1951, giving

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[299]. Ibid., p. 7.

[300]. Hurtubise, Rene, and Rowat, Donald C., The University, Society and Government, The Report of the Commission on the Relations Between Universities and Governments, p. 132.

rise to a major constitutional dispute, with the Quebec Premier, Maurice Duplessis, at its core. As was shown, much "horse trading" took place among universities and the provincial and federal governments. Using the lure of the growing trust account set up to hold the grants directed at Quebec universities, the federal government received the support of the local universities and a compromise was reached with Quebec. The province agreed to substitute tax points for the intended grants for its universities. [301]

Also important to note is the rise of community and vocational colleges. Up to now, they had not been much in evidence in the overall post-secondary environment. However, through the use of federal grants, provinces such as Ontario were able to create a broad system of technical schools, a move supported by the federal government, as training was under its jurisdiction.

By 1966, the federal government had become a major and permanent participant in post-secondary education. In this environment, where government seemed to be interested in providing additional funding, universities and colleges in Canada were financed by four sources; the provincial government which provided 40 per cent of the money spent, the federal government which provided 22 per cent, students fees which represented 25 per cent of the overall bill and other sources, such as endowments

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301. Secretary of State, Support to Education by the Government of Canada, p. 27.

responsible for the remaining 13 per cent. [302]

In 1966 the Commission on the Financing of Higher Education in Canada (The Bladen Commission) that had been appointed by the Association of Universities and Colleges of Canada submitted its report. In addition to identifying what operating costs, research funding, capital expenditures would be required for universities to operate in the coming decade, the Commission attempted to define formulae for providing the operating revenues of universities and for allotting the portions to come from tuition fees, federal and provincial governments and corporations. [303]

Further, the Bladen Commission also agreed that the cost of education exceeded the provinces' limited resources. It identified a relationship between education and culture, and the national, even universal role of the university. Given how these influences would benefit the national cause both directly and indirectly, it emphasized that universities may be regarded as the finest contributors to national strength and unity. [304]

At a federal-provincial conference in October 1966, the federal government presented a set of proposals which, in effect, accepted Quebec's long-standing position on the role of provincial

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302. Johnson, Henry, A Brief History of Canadian Education, p. 191.

303. Ibid.

304. Hurtubise, Rene, and Rowat, Donald C., The University, Society and Government, The Report of the Commission on the Relations Between Universities and Governments, p. 130.

governments and on the impropriety of direct federal payments to universities. [305] In his presentation, Prime Minister Pearson stressed that in accordance with the Canadian Constitution, the development of the pattern of education was a matter of provincial jurisdiction. However, education and especially higher education were of profound importance to the economic social growth of Canada as a whole. Therefore, considering the role of the federal government in employment and economic activity in Canada, it had "specific and particular responsibilities to which higher education is relevant". [306]

He added that "this does not mean that the federal government can or should impose on the provinces any views as to how much money should be spent for education or in what way it should be applied". He also recognized the need for tying the funding formula to the rise of educational cost of the provinces. [307]

As a result of agreement on the federal proposals, the federal government cancelled its general payments to universities and phased out its support of technical and vocational training at the secondary level, except for adult occupational training. Fiscal transfers to the provinces for the general support of post secondary education were introduced as part of the federal-

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305. Ibid., p. 133.

306. Ibid., p. 134.

307. Ibid.

provincial Fiscal Arrangements for 1967 to 1972 in the form of a tax abatement of four points on personal income tax and one point in corporation income tax. The income from these points, plus a payment to equalize it in accordance with the general fiscal arrangement was then to be adjusted to provide each province the greater of (1) $15 per capita of the provincial population or (2) 50 percent of recognized operating costs of post-secondary education within the province. [308]

This agreement therefore not only provided provincial governments with a reduction in direct federal government intervention in post-secondary education, but also with a seemingly bottomless source of funding allocated from federal coffers with the proviso that the money should be (as opposed to shall be) used to support post secondary education. [309]

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[308]. Ibid., p. 135.

[309]. Johnson, Henry, A Brief History of Canadian Education, p. 80.

SECTION IV

The introduction of the 1967 Fiscal Arrangements Act not only had an impact on the way the federal government did business, but also created new patterns of behaviour among other key participants.

For those provinces where PSE expenditures were low, it meant using the per capita payment. However, the shift to the 50 per cent option was available any year a province stood to gain more by using this funding formula. However, once having done so, it could not revert to the per capita amount. [310] This provision was designed to encourage the poorer provinces, namely Newfoundland, P.E.I. and New Brunswick to spend more on post-secondary education since they were spending less than the $30 per capita on post secondary education that would have been required to use the 50 per cent option.

Another important aspect of the impact of the federal provincial fiscal arrangements Act of 1967 was how "PSE operating expenditures" were defined. This was of critical importance in determining the value to the provinces of the fiscal transfer. It was simply defined as that for which junior matriculation or its equivalent was an entry requirement. This meant it recognized grade 13 in New Brunswick, Ontario and British

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310. Hurtubise, Rene, and Rowat, Donald C., The University, Society and Government, The Report of the Commission on the Relations Between Universities and Governments, p. 134.

Columbia, and grade 12 in Newfoundland, Nova Scotia, Quebec, Manitoba, Saskatchewan and Alberta. [311] Operating expenditures excluded the following items: student financial aid; any capital debt or depreciation charge except the purchase of library books, periodicals and related items; alterations; ancillary enterprises such as residences, student unions, cafeterias, book stores, university presses, teaching hospitals and health services; overhead expenditures of provincial government departments; and all rental charges except for computer, data processing and photo copying equipment. Also excluded were income from assisted, sponsored or contract research, whether from federal or other sources and any other federal payments for post-secondary education to either a province or its educational institutions, such as for hospital schools of nursing. An amount of 8.5 percent of total operating costs was allowed for furniture, equipment, and the repair or renovation of buildings. [312]

This resulted in transfer payments of about $400 million in 1967-68, which was slightly higher than 50 percent of the total recognized costs of post secondary education in Canada at the time because it included the three provinces on the per capita option (Newfoundland, Prince Edward Island and New Brunswick). The provincial share of the remainder turned out to be much lower than 50 percent because the total expenditure figures included student

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311. Ibid., p. 135.

312. Ibid., p. 136.

tuition and endowments. [313]

The impact of the new scheme on post secondary institutions and the provinces was therefore immediate and profound. Now all support came from one source; the provincial government. This led to the creation of new bodies for allocating or advising on the allocation of grants. It also accelerated the transition to public institutions of a number of private and sectarian universities and colleges. [314]

It was not surprising to see expenditures increase by 25 per cent in the second and third year of this program, reaching $1.25 billion in 1969-70 and $2.25 billion in 1971-72. [315]

It was not long before this arrangement was recognized as putting strains on the budget of both levels of government. Acting on a recommendation of the Report of the Commission on the Relations between Universities and Governments submitted in 1970, the federal government finally moved to put a lid on expenditures, imposing a 15 per cent limit on expenditure increases in 1972. [316]

While some means of control were now present, Ottawa

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313. Ibid.

314. Ibid., p. 37.

315. Department of Secretary of State, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1984-85, p. 5.

316. Ibid., p. 4.

remained uncomfortable with this arrangement. [317] Under much pressure to put its financial house in order, the federal government undertook negotiation with the provinces to redefine its contributions to provincial budgets.

After difficult negotiations, the federal government tabled Bill C-37, the 1977 Federal-Provincial Financial Arrangements and Established Programs Financing Act, altering dramatically the relations between the federal government and the provinces. Essentially, the entire philosophical and economic under-pinning of Canadian federalism was at issue in Bill C-37. Coming under the purview of the renegotiations were the former shared-cost programs for post-secondary education, hospital services, and medicare (commonly referred to as the "established programs"); the system of equalization payments; and the revenue guarantee. As will be documented below, the new fiscal arrangements represented an important moment in the evolution of Canadian federalism. Specifically, the modification in the nature and form of financial transactions between Ottawa and the provinces constituted a significant step in the decentralization of power in the Canadian federation. The cost-sharing aspect of established programs, including post secondary education, changed from a conditional to

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317. Courchesne, Thomas J., Refinancing the Canadian Federation. A Survey of the 1977 Fiscal Arrangements Act, p. 11.

an unconditional grant system.[318] The actual form of the new transfer was extremely complex, and only the general outline of the scheme will be discussed.

Ottawa's average per capita contribution for these three programs in fiscal year 1975/76 amounted to $207.60. This formed the bench mark for the new program. This figure was then adjusted in two ways. First, the value of the two equalized personal income-tax points resulting from the compromise over the termination of the revenue guarantee was added to the benchmark, for a 1975/76 total of $223.28.

This figure then escalated each year by the average annual rate of growth in per capita gross national product (GNP) over the previous three-year period.[319] The federal contribution to the provinces for post secondary education now had two components: a federal revenue reduction relating to post secondary education with associated equalization and revenue guarantee payments; and PSE adjustment payments designed to bring the total transfer to each province to the level of its entitlement.

With the elimination of the open-ended nature of established programs, Ottawa gained greater predictability and control in terms of increases of transfers to the provinces for these programs. Yet it was not long before Ottawa expressed concern that the rate of growth introduced in the new arrangements was too high. In August

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318. Ibid., p. 12.

319. Ibid., p. 53.

1978 the Minister of Finance served notice that he wanted to negotiate a new formula escalating at a lower rate. [320]

Faced with a negative response from the provinces, the government retaliated by shelving the proposed Social Services Act, which was designed to provide additional revenues to the provinces for social service.[321]

The budget of 1980 announced the federal government's intention to review the Established Program Fiscal Arrangements, due for renewal in 1982. [322] The Secretary of State met with the Council of Ministers for Education in Victoria in January 1983 and announced that existing arrangements would be extended for two years with modifications to respect the 6 and 5 percent federal restraint program. [323]

In March 1983, the Government of Canada introduced Bill C-12 to ensure continuing increases in federal transfer payments and for increased program accountability to Parliament by making a distinction between contributions for PSE and those for Health Care. [324]

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320. Ibid., p. 23.

321. Ibid., p. 24.

322 Department of Secretary of State, Annual Report, 1981-82, p. 27.

323. Department of Secretary of State, Annual Report 1982-83, p. 29.

324. Department of Secretary of State, Annual Report, 1983-84, p. 19.

As acknowledged by scholars, Keynes' General Theory became the framework for government behaviour in the Post World War Era.

Authors, such as Paul Craig Roberts, understand Keynesianism interventions as governments seeking to get an economy going again. According to Roberts, a government may choose between the balanced-budget multiplier, which would require that both public spending and taxes be increased, and a budget deficit. He asserts that deficits are often more politically acceptable than higher tax rates and that governments will therefore tend to opt for deficits [325], leading to a distortion of Keynes' ideology.

Based on Keynesian assumptions, a government can choose a number of ways to create its deficit. A reduction of government revenues achieved through alteration of the tax system will raise the disposable personal income of taxpayers, and thereby the level of spending and the Gross National Product. Or, the government may choose to engage in public spending which exceeds revenues. This option may be deemed more effective than tax reductions simply because the government will spend the money through public sector purchases whereas purchasing power returned to the taxpayer in the form of tax reductions may end up being saved instead of spent. [326] In the case of the Canadian government, it chose the latter option increasing the national debt sizeably as shown on these

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325. Roberts, P.C., The Breakdown of the Keynesian Model, The Supply Side Solution, pp. 78-79.

326 Ibid.

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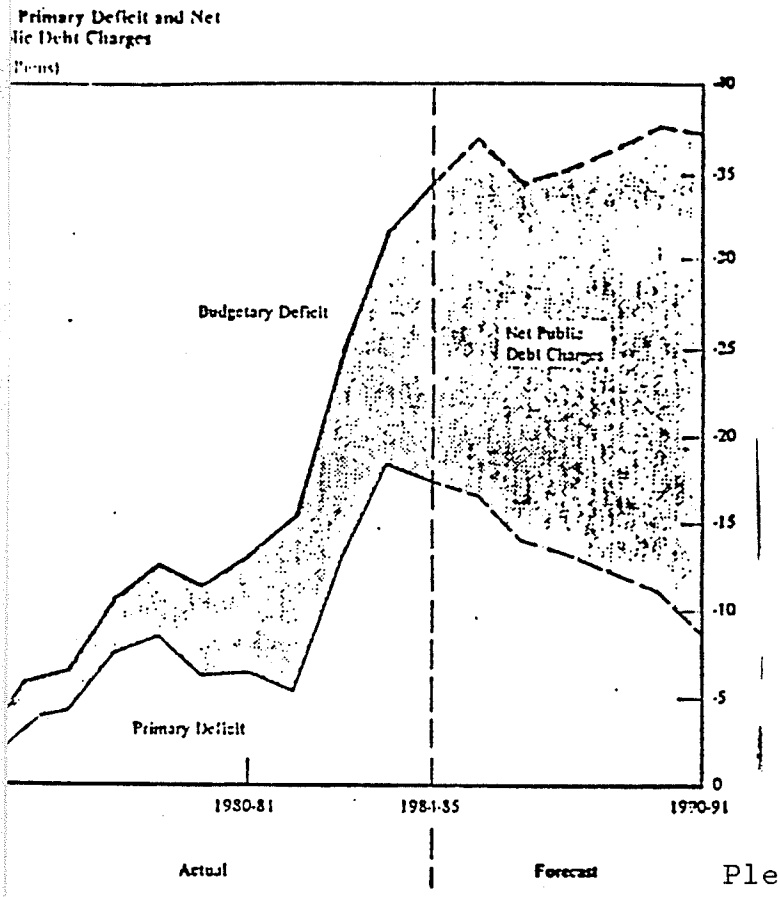

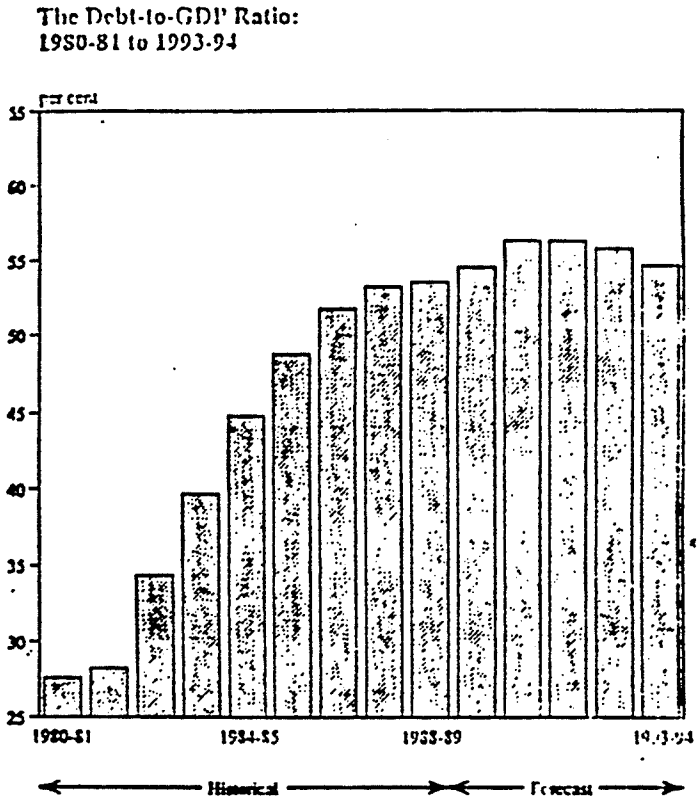

Please see footnote #[327] for source.

However, at this point in history, budgetary deficits appear not to be nearly as acceptable politically as they once were thought to be. Governments of virtually all political philosophies have found themselves more and more pre-occupied with the struggle to reduce public debts.

The authors of the McCracken Report to the Organization for Economic Co-operation and Development reflect part of the conservative disagreement with Keynesian policy:

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[327]. Department of Finance, The 1990 Budget, p. 20 and p. 116.

> In fact, in terms of really controlling public expenditure, we consider that the problem is the lack of connection made by the public between benefitting from a service and bearing the cost of it. In this situation, experience seems to be that the public can at one and the same time both demand additional public expenditure and resist the consequent tax increases.[328]

Conservatives also call Keynesianism into question because it is alleged to crowd out investment instead of stimulating investment in the economy. In their efforts to deal with debt, governments come ultimately raise revenues from taxation and borrowing. This has the effect of discouraging investment to the extent that taxation produces a reduction in the number of profitable investments and because interest rates experience upward pressure as a result of government borrowing to finance budget deficits. The latter effect is brought about because of the fact that private enterprise must compete with the public sector for limited loan capital.[329] This approach was applied here.

The overall difficult financial situation was compounded by the weakening of federal control over expenditures introduced by the 1967 Fiscal Agreement.

Conditional grants used after the war became an increasingly important part of the federal-provincial financial relationship. Along with the tax agreements they provided a method by which the

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328. Department of Supply and Services Canada, Royal Commission on the Economic Union and Development Prospects for Canada, p. 131-132.

329. Ibid., p. 80-81.

central government could assist the provinces to meet their growing financial needs while at the same time retaining a large measure of control of the tax system for fiscal purposes. To this extent they were an important element in the development of a centrally controlled policy. However, the open-ended nature of the 1967 Fiscal Agreement, and the lack of restraint possible on the part of the federal government, created a situation where provincial governments were only too happy to spend 50 cent dollars. These combined deficiencies led to increased government intervention in the Canadian economy. A report published by the organization for Economic Co-operation and Development in June 1978, indicates that during the period 1962-1975, spending by all Governments in Canada in relation to gross domestic product rose from 29.4 to 40.9 per cent. This increase of 11.5 percentage points was greater than that in any other major western country, and nearly three times the rate of increase experienced in the United States. [330] It must be said here, though, that social programs in the United States are very limited, so the two situations are not entirely comparable.

Rapid expansion of revenues and expenditures developed a state of mind which saw Canadian citizens expect financial benefits from their government while dismissing associated fiscal obligations. This attitude permeated the entire political system,

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[330]. Royal Commission on Financial Management and Accountability, Final Report, p. 16.

seriously eroding the old values of prudence, economy and restraint.[331] The failure of the government to nurture the country's finances is evident, as effective planning for the use of resources was inadequate.

The 1976 Report of the Auditor General exposed these management deficiencies:

> I am deeply concerned that Parliament - and indeed the Government - has lost, or is close to losing, effective control of the public purse... Based on the study of the systems of departments, agencies and Crown corporations audited by the Auditor General, financial management and control in the Government of Canada is grossly inadequate. Furthermore, it is likely to remain so until the Government takes strong, appropriate and effective measures to rectify this critically serious situation.[332]

This Report was released coincidentally with the announcement of the appointment of the Royal Commission on Financial Management and Accountability. Its Report, published in 1977, supported this view:

> Programs and activities must not be approved without more carefully defined goals and objectives, and a realistic forecast of costs. Parliament should pursue more vigorously its role of holding the Government to account. The Cabinet and individual ministers should provide more leadership and direction to officials to ensure that they administer their operations with economy, efficiency, and effectiveness, and should be more directly involved in holding them to account for carrying out their assigned tasks.

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331. Schick, A, Macro Budgetary Adaptations to Fiscal Stress in Industrialized Democracies. Public Administration Review, March/April 1986, p. 124.

332. Auditor General, 1976 Annual Report, p. 9.

> In addition, the unsustainable rate of growth of government and its complexity and size make it increasingly obvious that there needs to be greater care in the use of the resources that have been entrusted to government. Not only is waste to be avoided, but in the context of today's fiscal situation and the pervasiveness of government activity, managers in the public services are being challenged to rediscover a sense of frugality and a commitment to the careful husbanding of resources. Lacking the early warning system that well-structured accountability relations provide, governments run the risk of destroying their credibility. If this should occur, it would lead to the shattering of public confidence in the probity and seriousness of governments' endeavour, and might well undermine the stability of our society. [333]

The years of restraint from 1974 to 1984 were therefore a period of conflict among the competing priorities of the newly created welfare state. A new political ideology stressed that capital accumulation was the driving force behind economic growth. "For the economy to grow, capital must grow. For capital to grow, there must be profits. For profits to be large, there must be fewer wage demands, higher productivity and fewer social welfare programs to drain off profits and capital." [334]

To deal with these conflicting requirements, the Policy and Expenditures Management System (PEMS) was introduced. It helped establish general and specific priorities, plus fiscal limits before developing expenditure plans. PEMS operated at the policy committees level of the Federal Cabinet, with each committee

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[333]. Royal Commission on Financial Management and Accountability, Final Report, p. 7.

[334]. Schick, A., Macro Budgetary Adaptations to Fiscal Stress in Industrialized Democracies, Public Administration Review, March/April 1986, p. 126.

responsible for one or more resource envelopes. Each envelope became an authorized spending limit for a particular sector of the Government. Policy committees were not allowed to spend in excess of the amounts allocated to them. In this manner ceilings and targets were introduced into the structure of the budget process.[335]

For post-secondary education, it meant a change from the 1967 Fiscal arrangement to the Established Program Financing (EPF) Envelope which could now be better controlled through the amendment to EPF enacted in 1983, clearly identifying the post-secondary education contribution.

In 1984 a Conservative government, led by Brian Mulroney, came to power. Less than two months after winning the election, this new government, through the new Finance Minister Mr. Michael Wilson, served notice of an intended change in attitude towards the role of the state:

> Canadians voted for change, and for a better future, because they knew that as a country we could do much more to create that future; to create new growth, jobs and opportunities for all Canadians. In doing so, they have opened the way for a fresh start, for new confidence and a new national consensus toward achieving the promise and potential of Canada.
>
> They voted not only for a change in policies, they voted for a change in the approach of government to the making of those policies. That is our mandate. That is our challenge.
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> The mandate of September 4 reflects as well a sombre

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335. Ibid., p. 132.

> judgement about the recent past. When Canadians looked back, they saw an unprecedented decade of soaring government deficits and rising unemployment; of expansive, intrusive government and sluggish, uncertain economic growth. They saw an economic world that had changed and a country that had not kept pace with that change. They saw their government and their economy dangerously off course and off balance.[336]

The government also mentioned that a statement of national purpose, a paper called "A New Direction for Canada: An Agenda for Economic Renewal," would be released shortly to identify how the government was proposing to achieve this renewal. This paper called for a new way of "doing business":

> ... First, to put our own fiscal house in order so that we can limit, and ultimately reverse, the massive build-up in public debt and the damaging impact this has on confidence and growth; second, to redefine the role of government so that it provides a better framework for growth and job creation and less of an obstacle to change and innovation; third, to foster higher investment, greater innovation, increased international competitiveness and a positive climate for the birth and growth of new enterprise and fourth, to bring about these changes in a way that is fair, open and consistent with the basic sense of compassion, tolerance and justice that is characteristic of Canadian society.[337]

For post-secondary education, this meant a review of the Established Programs Financing (E.P.F.) left in place by the previous government.

A conference on the financing of higher education and research sponsored by the Financial Post was held in March 1985. The general consensus that universities needed additional funding

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336. Wilson, Michael, Economic and Fiscal Statement, p. 1.

337. Wilson, Michael, A New Direction for Canada, p. 4.

to remain competitive emerged with the understanding that governments would not likely be the source of the necessary funds. [338]

In a study commissioned by the Secretary of State, A.W. Johnson, who was personally involved with the 1967 Post Secondary Education Financing Arrangements, reviewed the benefits and drawbacks of the E.P.F. arrangements. The report identifies "deficiencies" in the financing of universities and colleges and in post secondary education financing arrangements. As the percentage of GNP made available by the government of Canada to universities and colleges for core operations had declined from 1.35 per cent of the GNP in 1977-78 to 1.24 per cent in 1984-85 while the enrolment increased at universities by 27 per cent and in colleges by 36 per cent during the same period of time, the government support expressed in real terms increased 2.5 per cent. [339] It called for a harmonization in federal and provincial support for post-secondary education, and for the amendment of the E.P.F. position as detailed on the chart found on the next page:

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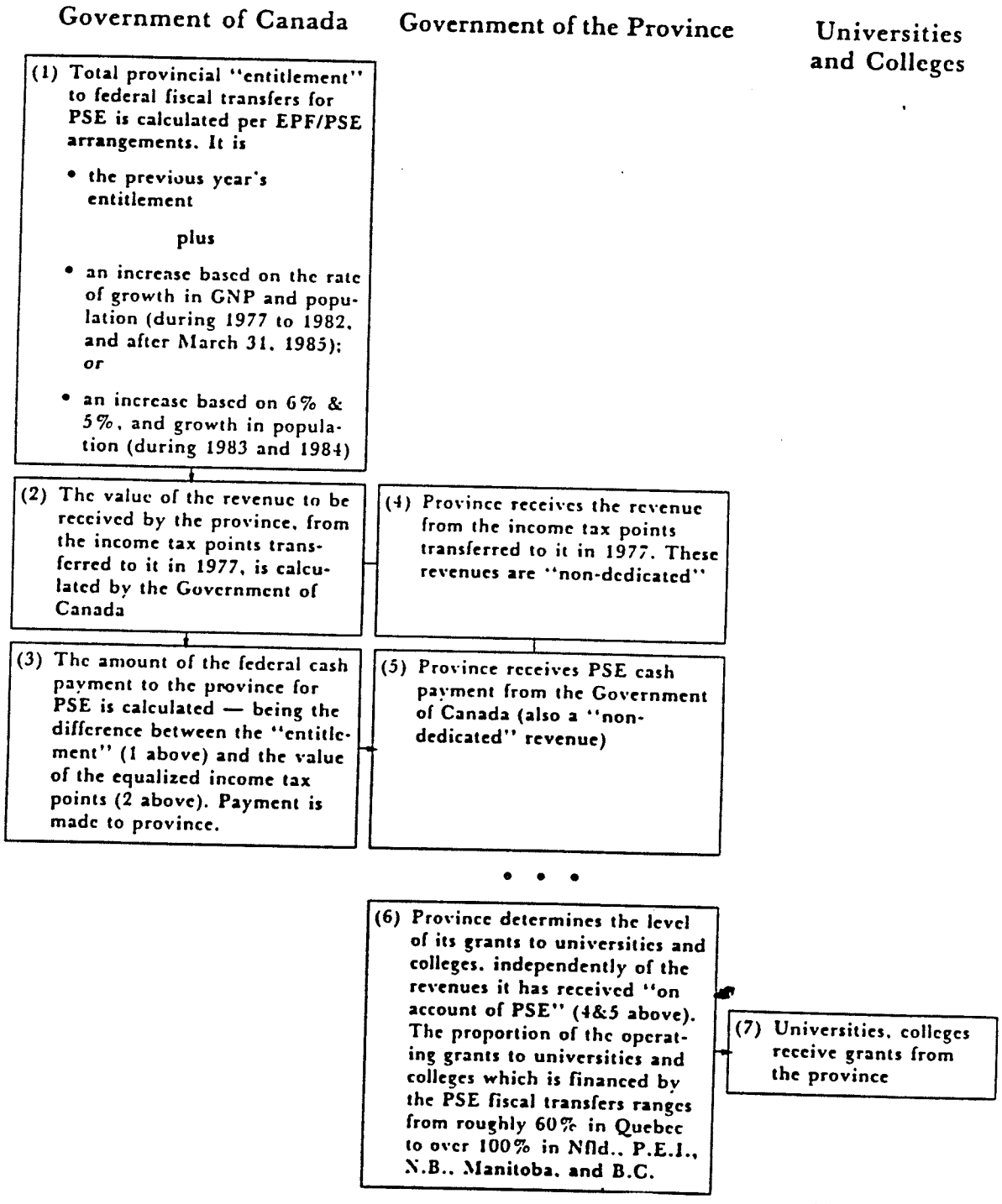
338. Financial Post Conference, Financing Higher Education: Who Benefits? Who Should Pay?, p. 17.

339. Johnson, A.W., Giving Greater Point and Purpose to the Federal Financing of Post-Secondary Education and Research in Canada, p. ii.

Post-Secondary Education Financing Arrangements: Flow of Decisions and Flow of Funds



Please see footnote #[340] for source.

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[340]. Ibid., Chart I.

The study also suggested that E.P.F. has created a malaise in federal-provincial relations without the benefit of being an effective policy tool:

> The evolution of the EPF/PSE fiscal arrangements has led to the emergence of two conflicting perspectives concerning their purposes. One view is that the fiscal transfer are totally unconditional - unrelated to post-secondary education. The other is that there is a moral obligation on the provinces to dedicate the fiscal transfers to post-secondary education, without any offsetting decreases in the growth of provincial grants to universities and colleges...Lying behind the emergence of these two perspectives was the failure of the Government of Canada to link the calculation of the provincial financing of universities and colleges. The fiscal transfers, in short, are unconditional "block transfers", devoid of any incentive concerning their use for post-secondary education, devoid, therefore, of any apparent national purpose.[341]

While Johnson recognized that several statistics generated differences of opinion between the federal and provincial governments, he nevertheless suggested that the shape of federal grants to universities and colleges by E.P.F. transfer had grown from 69 per cent in 1977-78 to 80 per cent in 1984-85, while the provincial share had declined from 31 per cent to 20 per cent in the same period.[342] For Johnson, it meant that the federal government increased its share of funding spent on post secondary education without seeing any benefits in terms of increased influence.

In order to regain control of expenditures, the report

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341. Ibid., p. vi-vii.

342. Ibid., p. v.

recommended that federal transfers to a province for post-secondary education increase at the same rate as the increase in that province's operating grants to post-secondary institutions, up to the maximum escalator provided for in the EPF arrangements. [343] Recommendations that termination of transfer payment for post-secondary education be implemented were also included in the report. Such a path was suggested if an agreement could not be reached with the province that universal student grants programs and/or increased direct funding to post-secondary institutions be introduced as a replacement. [344] An interesting aspect of the proposal was the suggestion that grants to students be "weighed" to reflect the varied fees associated with the different programs. [345]

The report also advocated a moderate redirection of funds from core funding to sponsored research in order to finance the payment of the indirect costs of research. It further recommended the establishment of a "blue-ribbon" committee to be named by the federal government which would advise the government on the identification and development of world-class centres of excellence at post-secondary institutions. [346] The report finally called upon the federal government to introduce a statement of national objectives in post-secondary funding. These objectives were meant

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[343]. Ibid., p. 25.

[344]. Ibid., p. 39.

[345]. Ibid., p. 41.

[346]. Ibid., p. 50.

to ensure accessibility; to provide a high quality education in universities and colleges; to enhance the employment potential of students of all ages; to enhance the contribution of higher education and research to Canada's social, economic and cultural development; to enhance the capacity of Canadians to adjust to changing technological, economic and socio-cultural demands; and to enhance the capacity of universities and colleges to adapt to emerging economic, social and technological demands. [347]

The need for change in the post-secondary system as the core of the Johnson Report was also present in the "Education and Training" section of the MacDonald Commission Report published in 1985. The Commission suggested that Canadians had not devoted sufficient attention to the challenges of achieving excellence in teaching and research and called on educational institutions to be more flexible in order to meet future challenges. [348] The Commission recommended that federal-provincial negotiations begin to replace the system of federal cash and tax point transfers to the provinces, with serious consideration given to the option of providing federal payments or education "vouchers" directly to students. [349] As well, the MacDonald Commission also re-affirmed a role for the federal government in funding post-secondary

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347. Ibid., p. 39.

348. Royal Commission on the Economic Union and Development Prospects for Canada, Vol 2, Chap. 18, p. 761.

349. Ibid., p. 765.

education in the interests of economic development, and made it clear that negotiations to reform the current financing arrangements should begin immediately. [350] The Report also suggested that consideration be given by provincial governments to the complete deregulation of the post-secondary fee structure, allowing universities and colleges the ability to set their own fee schedule. As well, it proposed that a portion of federal transfer payments equal to the incremental funds resulting from a freeze of basic federal contributions be reallocated equally between the federal research granting councils to cover overhead costs of university-based research and a fund to match increments in provincial contributions to post-secondary education on a 25/75 basis with the respective provinces. [351]

The Nielsen Task Force on Program Review also studied the federal government's role in education to "examine the various federal programs in support of education and research to ensure the maximum benefit of this crucial investment." More than 100 federal programs worth about $6 billion annually and which directly or indirectly support schools, colleges and universities were probed by the federal study team. It concluded that there were flaws in the arrangement of cash and tax transfers to the provinces in support of post-secondary education, and that the system allowed federal and provincial governments to blame each other for any

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350. Ibid., p. 766.

351. Ibid.

apparent deficiencies in funding.

> The objectives of the E.P.F transfer are not clear and are a source of continuing controversy as to interpretation. It is questionable whether the arrangement is still appropriate. The problems in the E.P.F. arrangement are sufficiently severe that serious consideration should, in the view of the [task force], be given to other options. [352]

Facing this consensus for change with regards to the post-secondary education question, the government sought to review the alternatives available. In the Throne Speech of October 1986, the government committed itself to undertake consultations for the post-secondary question. This process was formally agreed upon by the Council of Ministers of Education (CME) in March. [353]

In March of 1987, a Report of the Senate Standing Committee on National Finance evaluated the federal policy on Post-Secondary Education. It concluded that "Canada's system of funding Post-Secondary Education has failed and should be abandoned." The main criticism of the report stemmed from the argument that E.P.F. had made no measurable contribution to the quality of education. [354]

All these events contributed to the convening of a National Forum on the post secondary education question, held in Saskatoon in October, 1987. The stated aim of the Forum was to "explore the

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352. Ministerial Task Force on Program Review, Report, Vol 21, p. 2.

353. Proceedings of the National Forum on Post-Secondary Education, Saskatoon, October 25 to 28, 1987, p. 1.

354. Senate Standing Committee on National Finance, Federal Policy on Post-Secondary Education: Report, p. 106.

challenges and opportunities facing Canada's universities and colleges in preparation for the 21st century." [355]

While the two levels of government agreed to co-sponsor the event, they did not want to set the stage for a federal-provincial conference on the subject. They therefore maintained an "arm's length" relationship to the Forum.

More than 500 individuals met for three days of intense discussion, representing a broad spectrum of Canadian society, including administrators, faculty and students from both colleges and universities, business leaders, representatives from unions and government. [356]

In his report published after the Forum, the Chairperson, Dr. Brian Segal stated that the Forum had shown that "it is possible for various interest groups in Canada, governmental and non-governmental, to work together to reach a common understanding of national problems and a national solution. It was generally recognized that, for our work really to have an impact, there would have to be a quick and energetic follow-up program." [357] He also declared that "major progress will depend on the continuing partnership of the federal and provincial governments". [358]

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355. Department of Secretary of State, Federal Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1986-87, p. 3.

356. Ibid.

357. Ibid., p. 7.

358. Ibid., p. 3.

The National Forum identified four key policy areas in which federal/provincial/territorial collaboration was especially important: accessibility to students and student assistance, international students, university research, and data and research on post-secondary education. [359]

However, while a consensus quickly emerged at the Forum for the need of a better PSE system, the report on the meeting was short of concrete proposals with regards to funding even though it recognized the requirement for "management and financing for PSE without which no reform could go ahead". [360]

On February 25, 1988, the Secretary of State, Mr. Crombie, met in Toronto with the Council of Ministers of Education to discuss the outcome and the recommendations of the National Forum. [361]

Mr. Crombie and the Council reached a consensus on the need to reinforce their partnership and to intensify their co-operation. [362] They also reached an agreement to hold regular joint meetings, that would provide a forum for provincial ministers, other federal ministers and major Canadian education organizations representing

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359. Ibid.

360. Ibid.

361. Supply and Services Canada, Access to Excellence, Federal-Provincial Initiatives, p. 9.

362. Department of Secretary of State, Federal Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1986-87, p. 3.

colleges, universities and students to meet the Secretary of State. [363]

On June 7, 1988, the new Secretary of State, Lucien Bouchard, met in Quebec City with the newly formed Ministerial Post Secondary Committee of the Council of Ministers. Also present, for the first time, were representatives of major interest groups involved in this sector (the Association of Universities and Colleges of Canada, the Association of Canadian Community Colleges, the Canadian Association of University teachers and the Canadian Federation of Students) who expressed their satisfaction at being able to meet both levels of government simultaneously. [364] Once again, the Ministers affirmed their "resolve to continue and intensify collaboration in the area of post secondary education." [365]

In keeping with the concerns shown by the federal government for higher education, the Prime Minister announced his intention in August 1989 to discuss education as a high priority with the provincial premiers. [366] Acknowledging the need to respect provincial jurisdiction in this field he called for a collective study of our education system, its relation to Canadian

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363. Ibid.

364. Department of Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1987-88, p. 7.

365. Ibid.

366. Department of Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1988-89, p. 1.

competitiveness and its relevance to the international challenges of the year 2000." [367]

From the First Ministers Conference on the Economy of November 1989, came the idea of a Task Force on Human Resource Development.[368] On February 5, 1990 the Prime Minister appointed Dr. Douglas Wright, President of the University of Waterloo as the Chairperson of the Task Force. However, before its mandate was confirmed, a new initiative was undertaken by the federal government. [369]

As announced by Prime Minister Mulroney in the Throne speech on May 15th, 1991, Michael Wilson was appointed to the Industry and Trade portfolio and had, as a mission, to lead a competitiveness crusade. [370] He was tasked to ensure that the promised national effort toward improving the educational achievement levels of Canadians be as effective as possible, as it is at the core of the Conservatives' "prosperity agenda". [371]

Another important feature of the throne speech was the call

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367. Ibid.

368. Ibid., p. 2.

369. Ibid.

370. Cohen, Joan, "Wilson outshines Chretien in Debate over New Throne Speech," Winnipeg Free Press, Thursday, May 16, 1991, p. 7.

371. Ibid.

for the introduction of measurable educational targets. [372] This led to a search for consensus on the question of national high school testing. Even the N.D.P. government of Ontario finally agreed to a standardized test. [373]

Already, previous to Michael Wilson's appointment, many discussion papers had been published. First, in July, 1990, the federal government published "Living Well ... Learning Well". It was noted that other industrial countries - the United States, France, Australia, and Japan - are busy holding conferences and launching reforms to do with education. This makes a case for Canada to review its present reliance on the school system and to get employers more involved in the skills-acquiring process. [374]

This view was echoed in the Porter Report published in October, 1991. In addition to the promotion of private sector training, the author stressed the need for direct federal intervention in education:

> Set high national educational standards: Canada's relatively generous spending on education has not translated into superior performance. Canada is virtually alone among advanced countries in having no national education standards of any kind. In other countries, such standards are an important ingredient in fostering high achievement. National standards are not

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372. Ross, Alexander, "The Trouble With the "c" Word", Canadian Business, August, 1991, p. 98.

373. Tobin, Anne-Marie, "Nationwide Test System Approved by Ministers," London Free Press, December 19, 1991, p. A3.

374. "Learning About Learning", Editorial Page, Winnipeg Free Press, July 30, 1991, p. 6.

> inconsistent with a decentralized education system. In Germany, for instance, national standards co-exist with an education system administered by the states, not the central government. A national standard need not require a full-fledged national system for testing, provided an appropriate level of intergovernmental co-operation exists. Provincial governments should move quickly to collaborate in developing agreed standards and testing mechanisms.[375]

It also stressed the need for more practical curricula and science skills:

> Compared to other countries examined in our research, Canada has relatively few scientists, engineers and technical workers in its labour force. Evidence points to declining interest in the sciences among elementary and high school students, declining enrolment in trade and vocational programs at the post-secondary level, and flat or falling enrolment in college-based technology-oriented programs. School curricula should be re-designed to put more emphasis on science, mathematics and technology disciplines.[376]

As well, it advocated a more selective approach to post-secondary education funding, including privatization:

> Align university funding to support competitiveness: As currently structured, government funding mechanisms for universities may not adequately underwrite the cost differentials that exist between science- and technology-related courses and other fields of study. Governments should re-evaluate existing funding mechanisms and take steps to ensure that adequate resources are available for programs directly linked to competitiveness. Provincial

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375. Porter, Michael E., Canada At the Crossroads - The Reality of a New Competitive Environment, A Study Prepared for the Business Council on National Issues and the Government of Canada, October, 1991, p. 90.

376. Ibid.

> governments should also re-examine the appropriate role of tuition in the overall university funding mix and the potential for school autonomy in setting tuition fees. The privatisation of some programs or even institutions should be seriously considered.[377]

In addition, it recommended greater rationalization among institutions:

> Encourage greater specialization among universities: Current government policies and funding mechanisms often discourage specialization among Canadian universities. To create the specialized skills and other advanced factors necessary to achieve competitive advantage, more specialization in university programs and research activities should be encouraged.[378]

Also published in October, 1991 was the report of the Commission of Inquiry on Canadian University Education (the Smith Report), sponsored by the Association of Universities and Colleges of Canada (AUCC).[379] While the report addressed numerous qualitative issues, this thesis will only review two: its position on funding issues, and the role of government. It made the case for more federal government funding through increased EPF payments and a gradual increase in tuition to cover 25 per cent of cost as

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377. Ibid., p. 91.

378. Ibid., p. 93.

379. Smith, Stuart L., Commission of Inquiry on Canadian University Education.

opposed to the current 17 per cent. [380] It should be noted that its main conclusion was that Canada's universities today are fundamentally healthy and are serving the country well [381], a position that is not shared by the federal government, as shown by the results of its studies, including the Johnson Report and the Nielsen Task Force Report.

Another feature of the recent post-secondary education scene has been the increased interest of individuals who and organizations who had not, in recent years, expressed an interest in the subject. For example, the February, 1991 issue of Canadian Business was dedicated to the question "Can Our Schools Compete?" and included such statements as: "Our education system commits a cardinal business sin by being overly expensive and under-efficient." There is little doubt as to the author's point of view! The pressure on the federal government for reform, applied by business organizations such as the recently-created National Business Centre of the Conference Board of Canada, are likely to increase and force the government to move on the issue. [382]

As stated earlier, the Mulroney government came to power

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380. Ibid, p. 27.

381. Smith, Stuart l., Commission of Inquiry on Canadian University Education, p. 14.

382. Litchfield, Randall, "Solving An Education Crisis," Canadian Business, Feb., 1991, p. 58.

with the avowed aim to change the role of the state in Canadian Society. As documented in the preceding portion of this paper, much effort, many meetings and conferences, and sizeable amounts of publicity, suggest that the Federal government had and still has a high level of concern towards post-secondary education.

However, differences in political ideology may have led the Mulroney administration to change the role of the federal government in post-secondary education. A review of the financial commitments of the same government during the period involved will assist in determining the path chosen by the Conservatives for present and future involvements of the Federal government in post-secondary education.

Early in 1983 the Canadian economy began to emerge from its most severe post war recession. From the pre-recession peak in mid 1981 to the fourth quarter of 1982, real output in Canada declined by 6.6 percent, employment fell by almost 5 per cent with a loss of 560,000 jobs. [383] The Conservatives therefore inherited public finances with a large deficit created by the stress on the social safety net, reaching $190 billion at the end of 1984-85, eight times the $24 billion which existed at the end of 1974-75. One dollar out of every four dollars of tax revenue was going to pay the interest on the debt as opposed to one in twenty in 1974-75.[384]

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383. Wilson, Michael, A New Direction for Canada, p. 4.

384. Ibid., p. 17.

There are different ways of looking at a government fiscal crisis as it relates to deficits and debt. L.R. Jones details a framework of fiscal crises, which includes:

a. relaxed scarcity - where revenues in constant dollars just equal expenditures for a period of one to five years;

b. chronic scarcity - where revenues fall short of proposed expenditures by less than 5 percent for a period of one to five years;

c. short-term acute scarcity - where revenues fall short of proposed expenditures by greater than 5 percent for one or two years; and

d. prolonged acute scarcity - where revenues fall short of proposed expenditures by greater than 5 percent for more than two years.[385]

While the Conservatives could hold the previous administration responsible for the inherited debt, they ran a budget deficit in 1985 of $10 billion, in 1986 one of $9 billion, and $4 billion in 1987.[386] By budget time in 1990 the Conservatives had added $32 billion from operations which, in addition to the compound interest of the $200 billion debt inherited in 1984, allowed the accumulated national deficit to reach $352 billion.[387]

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385. Jones, L.R., "Phases of Recognition and Management of Financial Crisis in Public Organizations," Canadian Public Administration, p. 50.

386. Wilson, Michael, A New Direction for Canada, p. 17.

387. Department of Finance, The 1990-91 Budget, p. 12.

Considering the present Government deficit and its track record over the past five years, it quickly becomes clear that we are facing a condition of prolonged financial acute scarcity at the Federal level. The framework proposed by L.R. Jones suggests that in such situations, a consensus will emerge proposing that deficits and the public debt that accrues from them are not conducive to running a healthy public sector. This situation now exists in Canada with the federal government having made deficit reduction its number one priority.

Governments seeking to decrease expenditures consistent with the easing of stimulation of the economy have several methods at their disposal. Restriction is the mildest form of expenditure restraint. Here the base budget is preserved but the rate of growth is slowed somewhat, perhaps in relation to the rate of inflation or in relation to the rate of growth in Gross National Product. Bill C-96, introduced by the Conservatives in 1986, is consistent with this type of action. Assented to on 14 April 1987, it amended the rate of transfer under E.P.F. to limit increase to 2 per cent less than the rate of growth in GNP, with further limits in case of sizeable inflation. [388]

The second major step to restraint is the freeze. This is described as maintaining a status quo for some period of time.

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388. Department of Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1987-88, p. 11.

Such a freeze entails not just a slow down in the increase of spending but advocates a grinding halt to increases.[389]

In this second round, the target now becomes support budgets for programs, and may be accompanied by hiring and salary freezes. There are choices made between reducing employee compensation and staffing cuts. Across-the-board cuts are supported by those who believe that organizations will be better off if they reduce their budgets evenly, relying on employee attrition, withdrawal of vacant positions, hiring and salary freezes, plus cuts in supplies and support budgets. [390]

Two recent budgets submitted by the federal government indicate that the EPF funding has moved to this point in financial restraint behaviour. For the fiscal year 1990-91 the federal government imposed a two year freeze on the level of funding for transfer payments, [391] even though in the previous budget they had committed themselves to a smaller reduction of "one percentage point for the growth planned for the 1990-91 fiscal year." [392]

Under this Federal Expenditure Control Plan $3 billion of savings are expected, with the lion's share coming from transfer

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389. Department of Finance, The 1990-91 Budget, p. 55.

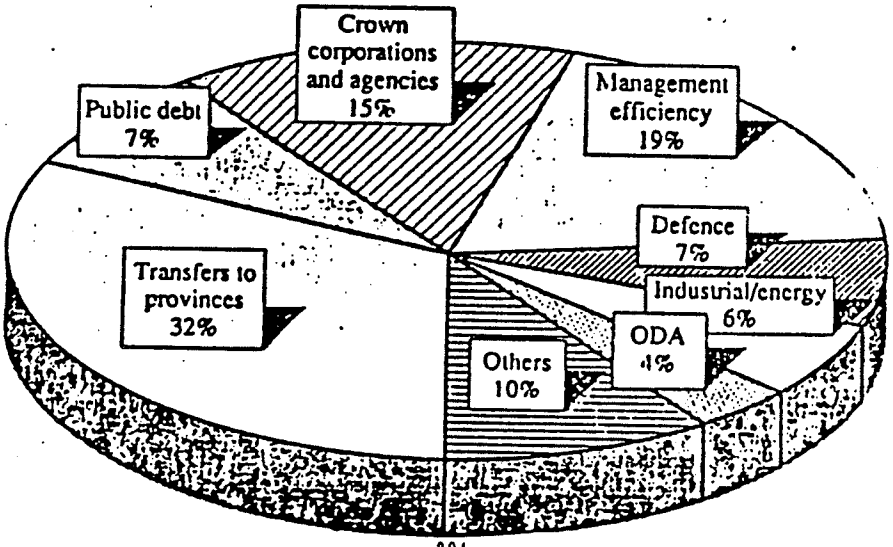
390. Ibid., p. 56.

391. Jones, L.R., "Phases of Recognition and Management of Financial Crisis in Public Organizations," Canadian Public Administration, p. 50.

392. Minister of Finance, Budget, 1989-90, p. 13.

payments to the provinces. [393] This approach is consistent with the behaviour adopted by this government since the "Revolt of The Old Age Pensioners": do not target politically sensitive programs in a direct fashion; find a way to move the responsibility to another organization or individual, such as the provincial government or the universities and colleges, which will have to manage the crisis resulting from budget cuts.

$3 Billion of Savings
1990-91



Please refer to footnote #[394] for source.

The existing cap on transfer payments to the provinces has been extended by Michael Wilson in his recent budget to cover the period from 1991 to 1995, for a total saving to the federal

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393. Jones, L.R., "Phases of Recognition and Management of Financial Crisis in Public Organizations," Canadian Public Administration, p. 11.

394. Minister of Finance, Budget, 1989-90, p. 20.

treasury, based on projected spending, of $4.4 billion over the five years. [395]

While the government reduces forecasted expenditures for cultural programs, environmental clean-up projects, job training, and low-income housing, Mr. Wilson will enable the rest of government expenditure to grow to the tune of 3 percent. [396]

With the financial crisis continuing, governments will be forced to look at sources of funding reduction. The three methods of restraint budgeting then left to the Federal government are retrenchment, termination, and privatization. [397]

These three methods are more drastic in their effect on expenditures. Retrenchment involves the withdrawal of services from the working budget of an agency, policy or program. The options of retrenchment, such as attrition, salary roll backs and de-universalization of programs can be used in different combinations with varying degrees of success. However, the Canadian experience of de-universalization, is less than encouraging for the Canadian government, as the attempt at de-indexing of Old Age Pensions and Benefits has shown.

Termination may be described as restraint using revocation as a means of achieving its aim. Through expenditure policies such as lay-offs and dismissals of public sector employees, the closure

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395. "A Budget Squeeze", Maclean's Magazine, March 11, 1991, p. 34.

396. Ibid, p. 35.

397. Department of Finance, The 1990-91 Budget, p. 60.

of institutions and the cancellation of programs, and government services are implemented . Thus, positions and services are not simply cut back, but are cut out. The recent government measures contained in the budget, relevant to trade-offs between employment level and financial increase in wage settlement and the government's commitment to eliminate 475 of 4750 senior managers in the Public Service shows a tendency: The Conservatives are not adverse to staff lay-offs and termination or consolidation of programs, especially if other organizations, such as the provinces, and the universities and colleges bear the brunt of the associated unpopularity. [398]

Finally, privatization, or restraint as divestitution, involves the Government's selling off Crown lands, corporations and assets, the de-institutionalizing of clients, and the contracting-out of services [399] such as post-secondary private sector training. While the privatization of post-secondary education institutions is highly unlikely, a form of "contracting out" should not be ruled out. The Canada Student Loan Program, established 25 years ago, is being reviewed by the government to address changes in the economic, demographic and post-secondary education environments.[400]

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398. "A Budget Squeeze", Maclean's Magazine, March 11, 1991, p. 36.

399. Maslowe, Prince, and Doern, Federal and Provincial Budgeting, p. 207.

400. Department of Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1987-88, p. 3.

It may also provide the federal government with an indirect means to force post-secondary institutions into "private-business-like behaviour" by having them "de facto" compete for this market of "education vouchers". Total expenditures in this program increased by 8.5 per cent from 1987-88 to 1988-89 while post-secondary education payments decreased by 4 per cent [401]. Also of importance is the fact that the trend toward "student vouchers", as suggested in the Johnson report, may already have started with federal contributions to provinces and territories having moved from $4,336 billion in 1984-85, or 80 per cent of all payments, to $5.3 billions in 1988-89 or 78 per cent. [402] During the same period direct federal support to post-secondary activities such as research grants and student grants increased from $1.101 billion to $1.51 billion - a 49.5 per cent increase.[403]

Of course, any government attempting to impose financial restraints must prepare itself for resistance from unions who object to the termination of employment of their members. This also goes for client groups that have a well-entrenched entitlement ethic which makes it almost impossible to take away something once it has been given, and for militants who object to the slashing of

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401. Ibid., p. 29.

402. Department of Secretary of State, Annual Report 1983-84, p. 10.

403. Department of Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, p. 59.

spending (citing Keynesianism) or who are pre-disposed to public ownership. Government will therefore try to discredit the targeted programs. The causes cited for termination may include competition, inadequate marketing strategy, leadership failure, poor analysis, wrong decision-making strategies and finally obsolescence or non-relevance to the present economic situation.

The recent Saskatoon Forum and numerous studies from a wide political spectrum have confirmed that the present funding arrangements for post-secondary education are conducive to creating many of these shortcomings, providing the federal government with a certain legitimacy to introduce changes. However, so far changes have only been to the financing formula, as highlighted by the 1990 Auditor General's Report.

> In the meantime, the Education Support Sector of the Department had been the subject of an audit by our Office in 1984. We had examined whether policies and programs were aimed at achieving precise objectives, whether there were effective and continuing mechanisms to co-ordinate federal activities and provide for consultation with the provinces, whether the department could evaluate the extent to which program objectives were being achieved, and whether funds were being spent as intended.
>
> During our audit, we found it strikingly apparent that post-secondary education in Canada is going through a very trying period. The challenges faced by the post-secondary systems have been and continue to be the focus of national attention and considerable debate. The Department noted, in its 1988-89 Annual Report to Parliament on federal and provincial support to post-secondary education, an urgent need to support the kind of education that will train people to help Canada face international economic competition. The Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act is essentially a

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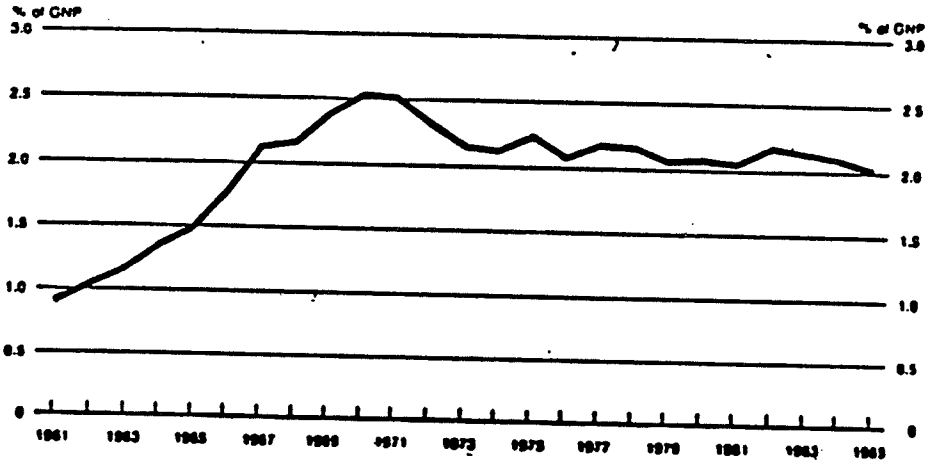
fiscal policy instrument controlled by the Department of Finance. It provides for funds in respect of post-secondary education to be paid by the Secretary of State to the provinces, and allows them to allocate those funds in accordance with their own priorities.[404]

Also it does not automatically mean that government actions will meet with the approval of the majority, if any, of the complainants, as the reaction to reduce transfer payments has shown. However, the fact remains that all cutbacks from the federal government have been from forecasted expenditures. In actual fact, spending by all participants for post-secondary education has held constant at about 2.1 per cent of G.N.P. since 1973.[405]

Expenditures on Postsecondary Education as a Percentage of GNP, 1961 to 1985



Please see footnote #[406] for source.

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404. Auditor General's Report, 1990, p. 684.

405. Proceedings of the National Forum on Post-Secondary Education, Saskatoon, October 25 to 28, 1987, p. 20.

406. Royal Commission on Financial Management and Accountability, Final Report, p. 16.

However, the current economic slow-down has brought great pressure on provincial budgets. Since post-secondary education and health care costs constitute the largest portion of provincial expenditure, fiscal restraint has had a serious impact on post-secondary institutions. Even wealthy provinces such as Ontario, have announced sharp roll-backs of transfer payments.

Given this situation, options such as eliminating various university and college departments, increasing tuition fees sizeably which, until recently, was anathema to the stakeholders, have now found their way into the mainstream discussion. Tuition increase has found its way into the recent Report produced for the Association of Universities and Colleges of Canada.

Major Trends

For many interest groups and individuals involved with post-secondary education, the year 1967 represents the golden age for the support offered by the federal government to this type of activity. However, it would be simplistic to attribute this behaviour to party ideology.

The government was then in an enviable position, being able to meet most if not all of the needs of competing interest groups. Since government benefits were allowed to expand because of economic growth, without depriving anyone, the government helped maintain a national consensus by reinforcing citizens' belief that this system of government worked for them. However, it did also

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set the stage for problems in times of economic decline when interest groups and clients who had come to expect a high level of support from their government, were forced to accept restrictions.

In Canada, the difficulties of reconciling limited financial resources with expanding demands were compounded by federal-provincial agreements where fiscal arrangements were of an open-ended nature, with the federal government paying 50 per cent of any post- secondary education costs incurred by provincial governments.

Canada had a mixed economy and with the development of welfare programs such as health care, social allowance programs, and unemployment insurance, the state took over diverse financial and social responsibilities, creating a significant shift in the economy, from private enterprise towards government services.

Legislative decisions, and the laws which stemmed from them, created expenditure consequences, no matter what the status of the economy was. Even with no change in public programs, these costs, as a portion of the gross national product, rose as the governments maintained the ability to have first access to the national product. Proof of this ability is contained in a report published by the organization for Economic Co-operation and Development in June of 1978, indicating that during the period of 1962-1975, spending by all governments in Canada in relation to gross domestic product rose from 29.4 per cent to 40.9 per cent. This increase of 11.5 percentage points was greater than that in any other major western country, and nearly three times the rate of increase

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experienced in the United States.

Considering these facts, it is not surprising to understand the reason for the sizeable funding increases in federal government support of post-secondary education. Faced with the sizeable increases in taxes required to finance open-ended programs, Canadian workers naturally attempted to offset the resulting decrease in disposable income by demanding sizeable wage and salary increases, generating still greater inflationary pressures.

Rapid expansion of revenues and expenditures developed a state of mind which permeated the entire democratic system resulting in the failure of the Government to nurture the country's finances.

It finally led to years of restraint and introduced a period of conflict between the competing priorities of the newly created welfare state. To deal with these conflicting requirements, the Policy and Expenditure Management System (PEMS) was introduced. It helped establish general and specific priorities, plus fiscal limits before developing expenditure plans, as policy committees were not allowed to spend in excess of the amounts allocated to them. Ceilings and targets were introduced into the structure of post-secondary education expenditure through this process.

This system, introduced during the Trudeau years, has provided the Mulroney government with the required tools to make changes in the post-secondary education funding while providing time to lessen political shocks: the current government would also find it easier to increase support for cutbacks and to enable affected individuals

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to adjust to new conditions through initiatives such as the Saskatoon Forum and the upcoming Task Force on Human Resources Management.

The Mulroney government also inherited from its predecessor the Fiscal Arrangements and federal Post-Secondary Education Health Contribution Act of 1977. Under this agreement, the federal government took a decrease in its tax rate in order to allow the provinces to increase their tax portion by 13.5 personal tax points and 1.0 corporate income tax points.

In recent years, the federal government and the provinces have been at odds over the post-secondary education spending record. At the core of the disagreement is the inclusion of the value of the tax points transferred in 1977 in calculating the value of the transfers. This has led to claims that federal funding accounts for well over half of all provincial spending and to provincial claims that federal contributions are wholly inadequate as this amount is used to reduce the cash portions of the block-fund formula.

While the validity of the federal argument may be subject to discussion, the funding formula nevertheless ensured that cash payments would continue to increase with the GDP and provincial population. However, the 1986 reduction of 2% less than GNP and the 1990/91 and 1991/92 freeze have now set the stage for the termination of cash payment by the year 2004.

The present government policy may be tied to a reaction on the

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part of a government experiencing a prolonged period of financial restraint. However, the recent increases in direct funding and the market mechanisms that they include show that the present government aims to change the present role of the federal government from a near silent funding source to a player having more say as to how and where federal dollars are spent.

The recent Canada Scholarship Program is a clear example of this new market-driven approach. Canada Scholarship's are awarded annually to outstanding students entering full-time undergraduate studies in natural sciences, engineering and related disciplines. They are worth $2,000 per year, for up to five years. It is expected that Canada will have up to 10,000 active scholarships each year to ensure adequate supply of scientific and engineering expertise. [407] This type of arrangement, if pursued, could have a sizeable impact on post-secondary institutions, as even a study commissioned by the Association of Canadian Universities and Colleges (the Smith Report) supports tuition fee increase.

The recent behaviour of certain universities indicates that they are adopting more of a business-oriented approach to their operations, such as cost-cutting and divestiture. This indicates that the federal approach of cutting operating unconditional grants and of the sponsorship of certain academic fields exclusively has already changed the environment surrounding post-secondary

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[407]. Industry, Science and Technology Canada, "Canada Scholars - Canada Scholarships Program".

education.

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CONCLUSION

Since their early beginnings, post-secondary institutions have been independent-minded organizations which resisted intervention from provincial as well as federal levels of government. However, funding requirements have gradually led these institutions to seek greater and greater financial support from both levels of government.

While the federal government displayed an interest in this domain as early as 1885, with a land grant to the University of Manitoba, it is not until 1913 that an instrument is introduced to help realize the federal government's intent and further its influence - the unconditional grant. However, after discovering that it had little control over how funds were being spent, it tried another organizational tool, - matching funds, to ensure that the use of the resources was better focused. Finally, it resorted to direct financing for specific projects that it deemed to be of "national interest", such as the Agricultural Act of 1913, as it was dissatisfied with the results achieved by the other types of funding formula.

It should be noted that while Section 93 of the B.N.A. Act made education the domain of provincial legislatures, the federal government still managed to find a way to have its presence felt.

During the inter-war period, the search for adequate funding of post-secondary institutions continued. Even though a new potential source of funding, the private foundation, was introduced

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to the situation, the federal government continued its involvement. Having gained experience in the support of individuals pursuing studies, through the financial support of veterans returning to post-secondary institutions, the federal government introduced a new direct funding vehicle, Student Aid. Its purpose was to support specific programs the federal government considered important to the national life. Started in 1939 on the recommendation of the Rowell-Sirois Commission, this funding vehicle was to make payments to provincial governments who were responsible to administer the program, and required the province to fund specific fields such as engineering, science and medicine.

However, neither this new financial formula nor financial difficulties were able to disrupt the attachment of post-secondary institutions to a high level of independence.

It should also be noted that the federal government showed a propensity to induce institutions and provincial governments into creating new programs and then to withdraw support when it lost interest or if its financial position changed.

With the Second World War, an unprecedented level of government intervention was experienced in all facets of Canadian life. Having acquired a more prominent role in the life of its citizens, the federal government undertook to meet its increasing expectations, putting to use the large financial resources secured during this conflict through increased taxation.

Using the, "power to spend," that it expanded in this period

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of emergency, the federal government used Student Aid and direct funding of post-secondary institutions to meet the needs of returning veterans. However, after having handled the large influx of veterans, the post-secondary institutions risked losing federal funding, the forfeiture occurring during a period of rising non-veteran enrolment.

The Massey Commission identified this financial crisis and the federal government introduced a direct grants program which was in effect until 1965.

Also of importance during this period was the introduction of the concept of equalization and stabilization payments which provided the provinces with a stable source of funding from the federal government. This enabled them to plan for better services in their particular areas of responsibility, which included post-secondary education.

In this environment of fiscal availability, the post-secondary institutions proved highly effective at securing funding without losing independence. They became adept at exploiting the differences between the two levels of government, which led to constitutional disputes when they secured direct funding from the federal government, by-passing altogether the provincial governments.

However, this situation was terminated by the 1967 Fiscal Arrangements Act. The Prime Minister of the time, Lester B. Pearson, recognized that education was a matter of provincial

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jurisdiction and the resulting arrangements reflected this view. Income tax points, rather than funds, were transferred to the provinces, and conditional grants were re-introduced, but this time to the provinces, rather than to the institutions.

This trend toward increased federal funding with reduced federal influence in the post-secondary education sphere was to continue until the election of the Mulroney government.

By the time the Conservative Party came to power in 1984, the financial capacities of the federal government did not permit the continuation of funding of all federally-sponsored programs on the same basis. In the post-secondary field, the difficulties of reconciling limited financial resources with expanding enrolment and facilities were exacerbated by the open-ended nature of the expenditures program in place.

The new government also inherited a situation where the money transferred to the provinces for post-secondary education fell under a larger umbrella. Transfer payments could be, and were in some cases, actually re-assigned to other field of provincial jurisdiction such as health care.

It is suggested that, faced with this situation, the federal government attempted to regain control over how federal funding was expended, including transfer payments.

After studies such as the Nielsen Task Force Report and the Johnson Report confirmed the need for change in the funding of post-secondary educational institutions, the federal government

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sought to reach a consensus through consultation. As a co-sponsor of the National Forum on Post-Secondary Education, it encouraged the participants to seek a new agenda, to generate new ideas and options and to develop a renewed spirit of cooperation, as stated by the joint announcement on March, 1987 regarding the National Forum by David Crombie, Secretary of State and Anthony Brummet, Chairman of the Council of Ministers of Education, Canada and Minister of Education for British Columbia.[408]

While a consensus quickly emerged at the Forum on the need for a better system of funding for post-secondary educational institutions, no concrete proposals on funding arrangements were to be entertained. Presented with this vacuum in terms of funding formula, the government continued, for a while, to stress co-operation, instituting the Ministerial Post-Secondary Committee of the Council of Ministers of Education Canada.

Since the appointment of Michael Wilson as Minister of Industry and Trade no evidence could be found showing this Committee was still meeting. This confirmes that his appointment signified a change of approach for the federal government. Mr. Wilson's mandate is to lead an effort to better Canadian competitiveness. With education now at the core of the Conservatives', "prosperity agenda," the federal government has shown a propensity toward attempting to influence more directly the

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408. Proceedings of the National Forum on Post-Secondary Education, Saskatoon, October 25 to 28 1987, p. 2.

direction of post-secondary education.

After reviewing the types of behaviour one can expect from a government under fiscal constraint, it was established that the present government has already resorted to a wide spectrum of measures such as retrenchment and privatization to address funding problems.

It is suggested that the changes to the funding formula which were introduced in 1986 will lead to the end of cash payments by the year 2004. The concurrent introduction of direct funding of selected programs, such as engineering and natural sciences, targeted by the Canada Scholarship Program,[409] and which are deemed desirable by the federal government, is in keeping with this new approach.

It is also suggested that they represent only the beginning of direct federal government intervention. It is expected that recommendations contained in the Porter Report[410] concerning a stronger role for the national government in the field of post-secondary education to ensure a more selective approach to funding, a more practical curricula, and a more rationalized system, will become the aim of the federal government and that

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409. Industry, Science and Technology Canada, Canada Scholars - Canada Scholarship Program:.

410. Op cit at p. 168.
Porter, Michael E., Canada At The Crossroads - The Reality of a New Competitive Environment, A Study Prepared for the Business Council on National Issues and the Government of Canada, October 1991, p. 90.

future direct expenditure of federal moneys will target these objectives.

It is further suggested that, considering the extensive data available on the different methods of funding such as matching grants, direct subsidies to universities, and so on, that it is likely that vehicles such as Student Aid will be utilized to "steer" post-secondary education toward goals selected by the federal government.

For example, this could potentially be achieved by unilaterally determining which programs meet a certain standard, a standard that the federal government could establish on his own, therefore steering potential candidates not only towards specific subjects and careers, but ultimately towards certain schools and faculties that meet the new federal government standards.

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