

ated in the act. I also doubt that Lower Canada, now known as Quebec, would have come under the articles of the union if it were not for the provisions in the act.

One has only to read the history of those times to realize what a problem it was to get these four provinces to form a union. The difficulties with regard to other provinces joining the union were not so great. Prince Edward Island, Manitoba, and British Columbia came into confederation a short time after 1867 and in 1905 the provinces of Saskatchewan and Alberta were incorporated into the union.

The minute the Dominion Government interferes with the fundamental understanding behind confederation, an inclination or trend is started in our country, and there is no use trying to avoid it.

Certain political parties have suggested that the Senate be abolished. If that were done none of us here would be affected, because whatever system was adopted we would be taken care of individually. Therefore I think we can speak on this matter without personal interest. I cannot imagine the Maritime Provinces ever agreeing to the abolition of the Senate. I say this because the Maritimes have one-fourth of the representation in the Senate, while in the House of Commons as it is now constituted, they have very little over a tenth—twenty-seven members out of a total of 265. I cannot see how the people of that part of Canada would ever agree to any change. To a lesser extent the same argument applies to the province of Quebec. I could understand Ontario and Quebec combining if they shared similar political views, because they would then have a majority in the other place and there would be little fear of their ever losing that majority. I can also understand how Ontario and the Western Provinces might combine and agree to the abolition of the Senate, because then they might always have a majority in the elected body. That would certainly be a possibility because in the other place there are some eighty Ontario members and seventy odd members from Western Canada, making a total of 150 representatives in a house of 255 members. That is the fundamental issue that is involved in this problem. When, owing to the "dark thirties", the question of the Canadian standard of living came up for discussion, some provincial governments urged the federal government to appoint a commission to investigate the problem. As a result, the Rowell-Sirois Commission was appointed, and this commission subsequently submitted a report to the effect that fiscal need should be the

basis of the part played by the dominion in dealing with the provinces. At that time the estimated fiscal need was \$40,000,000.

The dominion government, quite properly, called a meeting, and when three provinces refused to co-operate, negotiations broke down. Then the war came along and during that period certain taxing powers principally with respect to income and corporation taxes, were transferred to the federal government.

Let me deal for a moment with the result of that action. Under the wartime tax agreements the Dominion Government had to pay to the provinces \$117,000,000 in round figures. That amount was paid in lieu of the taxing powers that were taken over. The agreements provide that the Dominion Government can tax directly or indirectly as they see fit. That the Dominion Government can do that is clear under the statute. But the provinces themselves must have direct taxation, and ever since confederation certain fields of taxation have been left to them. It has been said—I heard it said when the committee was meeting—that the Dominion Government did not have to stay outside the smaller taxation fields such as those of electricity, *pari mutuels*, successibn duties and so on. That is true, but it has always been an unwritten law that the federal government would leave those fields to the provinces. However, owing to war emergency the Dominion Government entered into those tax fields, and now they do not want to get out.

During other sessions the Prime Minister has said that the right of taxation should belong to the people who spend the money. That means that if some outside authority has to tax to get the money, and Manitoba, for instance, spends it, there will be an inclination to spend the money much more freely. That is human nature in the individual, and it is human nature in municipal, provincial and dominion governments. It has always been so.

I shall return now to the figures. Forty million dollars was the estimate of the fiscal need according to the Rowell-Sirois report. During the war period the estimate was 117 million dollars, and in 1945 the government came forward with new proposals under which the estimate was 138 million dollars. Under the 1946 proposals the government gave the provinces 198 million dollars, and now this new legislation contemplates payment of 228 million. I make the prophecy that if this agreement is accepted by all the provinces, 228 million dollars will be the smallest sum the Dominion Government will ever pay. In fact, there are many within the sound of my voice who will see that amount doubled.