

*The Address—Mr. Garson*

ernment has to carry on in these days. Further on in that speech he said:

It was not intended to hold out any inducement to future extravagance to local governments but it was hoped that by the operation of natural causes, such a check would be put upon expenditures as would bring them down to the lowest point or at least prevent them from becoming lavish . . . If they increased their expenses in proportion to their growth of population, they would be obliged to resort to direct taxation and he thought that they might trust the people themselves to keep a sharp watch over the local government lest they should resort to direct taxation.

Well, sir, how did this limited and static conception of provincial responsibility, as set out in this speech and written into our constitution, where it remains today, work out? It did not work. The proposed subsidies to New Brunswick and Nova Scotia were twice increased during the negotiations before confederation, and Nova Scotia ran into a heavy deficit immediately after confederation. From having heard him on previous occasions I imagine the leader of the opposition (Mr. Drew) may say, "Well, that is because the subsidy system does not work," but I would dispute such a statement. It was not due to a defect in the subsidies as such; it was due to the concept that the provinces had an insignificant amount of work to do and that the financial provision for that work could be correspondingly niggardly and inadequate.

In Manitoba our experience was somewhat more fortunate. With us this financial arrangement, it is true, with some modification, worked reasonably satisfactorily until 1911; but with us it broke down completely under the great changes brought about by the first world war. The reason for the breakdown is simple and obvious. The insignificant amount of work the local governments were required to do in 1867 had increased in cost many times. I believe that if you take the figures for dominion, provincial and municipal expenditures upon those matters which ordinarily come under provincial jurisdiction, such as education, health and so on, for the whole of Canada, the increase is about 1,200 per cent or twelve times between 1867 and 1937. Obviously revenues which had been provided for the needs of the provinces in 1867 were utterly and completely inadequate to meet the incomparably higher costs of the 1930's and 1940's.

Thus, sir, the leader of the opposition is palpably in error when he says that we followed the United States of America with its emphasis upon states' rights, and its checks and balances. On the contrary, some of our leading Canadian statesmen did not want a federal system at all. When reluctantly they were forced to accept one they made it as strongly centralized as they could, and in no respect more so than in the matter of its fin-

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ancial provisions. The leader of the opposition, therefore, is under a complete misconception with regard to the Canadian constitution, which is the central point in all these discussions that have been taking place these last ten years. No matter how logical might be the reasoning he applied to the set of premises which is infesting his mind, how could he reach a sound conclusion when he began with such premises?

The fact is that in all these efforts that have been made by the majority of the provinces of Canada during the past ten years with the assistance of the dominion government, but with the minimum of help if not outright opposition from the provinces of Ontario and Quebec, they have been trying to cure this centralist financial plan by providing not one or two but all the provinces of Canada with adequate revenues to fully exercise their provincial rights.

For as long as this plan remains unchanged it creates for the provinces a treasury problem which has varied in size and in intensity as between one province and another roughly in proportion to the taxable resources of the province. In the wealthy provinces, it is true, the problem has been almost completely obscured by their wealth, and thus it has not occurred to them as being a problem even in bad times. But in the less wealthy provinces this problem exists at all times, and is much more painfully apparent in bad times.

The problem is a simple one and can be stated in a short sentence. Under modern conditions the provinces do not have enough revenue, under this financial plan of confederation, to pay for the exercise of their provincial rights. Thus the rights the provinces possess at law, which are guaranteed under the constitution but for which they cannot pay, they do not possess in fact. In this way for most of the provinces of Canada, for all seven that signed this agreement, their provincial autonomy was impaired. However, it is not only provincial autonomy which is impaired. The dominion has no legal right to perform provincial functions, under our constitution; and the result is that if the provinces cannot pay to have them performed they remain unperformed, and the whole scheme of government under our constitution breaks down.

For these reasons it is difficult to understand those who argue that if the provinces enter into a tax agreement with the dominion government we are centralizing power in the dominion. Surely, sir, such an agreement does the exact opposite. It decentralizes political power in this country by increasing the effective rights of the provinces; and if the rights of the provinces are not effective, of what use are they to any province?