

*Tax Agreements with Provinces*

our attention by the Rowell-Sirois commission be done became a necessity and so we had the wartime taxation agreements.

Then came the 1945 dominion-provincial conference and the proposals made at that conference by the federal government. I am not going to take time to rehash the whole story of what happened at that conference, how it broke up, who broke it up and why. Neither is it my function to come to the defence of the federal government, although these days they do seem to need somebody to help them out. They are in a bad way on a good many fronts.

It seems to me that the proposals put forward in the green books of 1945—I have one of them here on my desk—were at least in keeping with the spirit of the Rowell-Sirois recommendations. Again I think it was a tragedy that a basis for agreement was not found. I am not suggesting that it was a tragedy because the nine provincial governments who were there on that occasion did not accept the dominion government's proposals precisely as they were put forward—naturally in a conference you need considerable give and take and compromise—but I do think it was tragedy that some basis for agreement was not worked out. It was a tragedy that those who were there on all sides seemed to think of themselves as the heads of little kingdoms which were warring with each other, instead of realizing that they represented two aspects of the federal system of government which the people of Canada chose long ago and have confirmed many times since.

However, that conference was abortive. The proposals to some extent were put on the shelf. We have been able to get some of them off the shelf and put on the statute books, and I refer in particular to the proposal regarding universal old age pensions. It took a long time, from 1945 up to this year, before it was made effective; but at least we seem to have gotten over the barrier we faced for many years, namely that none of these proposals could be implemented because the taxation arrangements were not accepted.

Even though we have made some headway in getting one of these proposals implemented, the fact remains that we still have to solve the basic problem of taxation in this country in line with the general principle laid down by the Rowell-Sirois commission, namely that we are one country, that we are all Canadians, that we produce a great deal of wealth and somehow it should be possible to arrange for the distribution of that wealth so as to provide some equality of health and living standards, and some equality of opportunity among our people.

[Mr. Knowles.]

To get down to cases, what I dislike about the proposal of the leader of the opposition, what I dislike about the kind of taxation authority that he wants the individual provinces to have, is that it would take us back, to a lesser or greater degree depending on its exact terms, to the situation we had before the war under which the people of certain provinces whose great wealth which had been channelled there because of the nature of our economy were able to escape paying taxes that should be paid in connection with the making of that wealth. In the other provinces from which wealth has been drained away the taxation problem is insuperable under a situation of that kind.

I see no threat to our federal system through strengthening the taxation authority at the centre and having with it some proposals such as were made in 1945, subsidy proposals, proposals that the provincial treasuries should have sufficient money to carry out their obligations. On the other hand I see a threat to our federal system, I see a threat to Canada, I see a threat to Canadian unity, I see a threat to the well-being of the Canadian people if we go back to the disunity which inevitably grows out of the kind of set-up we had prior to the war and which I think is involved in the proposals made by the leader of the opposition.

I hope that we shall not go back in that direction. I am sorry that the measure now before us in the name of the Minister of Finance does not go all the way. I know the reason is that some of the provinces have not agreed and so we have this temporary expedient, this stopgap measure. But at least it is an attempt to move in that direction and to co-operate with those provinces which are willing to co-operate, or co-operate because there is no alternative, whichever it is. To that extent we give it our support.

But I hope the day will soon come when the people who represent our various provincial governments and the people who represent our federal government will realize that their responsibility in this matter of taxation is not to vie with each other for prestige and power and authority and the right to collect or spend so much money. I hope they will realize that their responsibility is to achieve an arrangement that will make for the best deal, the best standard of living, the best chance at equality for Canadian people from coast to coast.

This is a little more than I had thought of saying when I learned that this motion was being called tonight. Obviously what I have said has been prompted by the remarks of the hon. gentleman who preceded me. Before I sit down I want to say to the Minister of