

\$15 million. Normal expenditures on highways, developmental services and education would increase this deficit by a very large sum.

9. The Dominion subsidy to Ontario based on gross national product per capita will not rise as rapidly as the Province's revenue from direct taxes owing to the effect of progressive tax rates.

10. Decentralization of services provides the best assurance that the flexibility, vigour and efficiency of public administration will be preserved.

11. A short-term agreement is proposed, but continuation of the centralized power to levy personal income and corporation taxes and succession duties for another three years would operate against a reversion to provincial taxes in these fields. The bargaining power of the provinces in the matter of the periodic sale of their tax powers is not constant. It would become weaker with the passing of time. As the method of centralized levying of taxes took deep root, it would become difficult for the provinces to resist the pressure of the Dominion to accept whatever terms were offered. This would be especially marked if the sale of the taxes coincided with a time of rising unemployment and economic distress.

For the reasons stated above, the Ontario Government finds itself unable to approve of the proposal of the Dominion Government that it surrender its progressive tax powers. The Ontario Government is not prepared to place the economy of the Province of Ontario in such a position that the government of that Province would be compelled either to impose uneconomical and vexatious forms of taxation or to be continually appealing to the Government at Ottawa for further financial aid.