

that the hon. member for Winnipeg North Centre (Mr. Woodsworth) made some observations with respect to the attitude of the Minister of Labour (Mr. Rogers) regarding these matters. In a very excellent paper contributed to the Canadian Forum of December, 1934, the Minister of Labour dealt with the situation. Even the most backward school boy knows that a fundamental tenet of British government is that it calls for drastic revision. The minister said:

Subsidy readjustments of past years have revealed a lamentable lack of allegiance to principle and a deposition to reach short term solutions under the pressure of political expediency. As a result of the haphazard methods of previous settlements the financial relationships of the Canadian federation have reached a condition of chronic instability. This has made for misunderstanding and friction in a field of government where the desideratum is harmony and cooperation.

This quotation is important, because it represents the considered judgment of a student of the situation as it has heretofore existed. The late Sir Wilfrid Laurier pointed out that it is a general axiom of government that those responsible for spending money should be responsible also for raising it, a view which is as old as the very first discussions that took place in connection with democratic institutions. But the British North America Act was founded upon the assumption that subsidies were to be paid to the provinces. The reason is obvious; the provinces gave up their rights of indirect taxation. The provinces of Nova Scotia, New Brunswick, Ontario and Quebec gave up the right to raise revenues by customs duties and excise taxes and other methods, in connection with post offices and matters of the kind, and in giving these up they stipulated for subsidies in lieu thereof. Hence was introduced into our constitutional statute a provision that the provinces were to receive subsidies. Now, the word "subsidy" is offensive to many minds. It is associated with ventures in past centuries by which it came to be a word of ill omen. Having once determined that we were to have subsidies, all the resultant evils to which Sir Wilfrid Laurier and the Minister of Labour referred at once followed. There has been a constant effort ever since to increase the subsidies payable by the central power to the provinces for their purposes. Therefore I do not think it serves any useful purpose to deprecate the action involved in the payment of subsidies. We commenced house-keeping with them in 1867 and have continued with them ever since. The only question is whether or not some arrangement can be arrived at which will place them upon

[Mr. Bennett.]

a more scientific basis than that which now prevails. The late Sir George Foster suggested that the difficulty could be met by paying a fixed percentage of the customs revenues to each of the provinces in terms of their population. Many of the provinces were greatly in favour of such a scheme; others were not. It will be recalled that we made a special grant to the province of Prince Edward Island because of its geographical position and its relation to confederation, and only last year, for reasons which I shall presently point out, we made a special grant to British Columbia; for one had only to compare the amount received by that province from the dominion with the amounts payable to the other three western provinces to realize that even the \$750,000 paid did not put them on a basis of equality.

But I am going to point out to the Minister of Justice three matters that are not to be lightly overlooked when he discusses a question of this kind. In 1905 we created two provinces in western Canada, Alberta and Saskatchewan. At that time the public domain was in the possession of the crown in the right of the dominion. After providing for subsidies to these new provinces, section 20 of the Alberta Act—and a similar section is found in the Saskatchewan Act—provided:

Inasmuch as the said province will not have the public land as a source of revenue, there shall be paid by Canada to the province by half-yearly payments, in advance, an annual sum based upon the population of the province as from time to time ascertained by the quinquennial census thereof, as follows:—

The population of the said province being assumed to be at present two hundred and fifty thousand, the sum payable until such population reaches four hundred thousand, shall be \$375,000;

Thereafter, until such population reaches eight hundred thousand, the sum payable shall be \$562,500;

Thereafter, until such population reaches one million two hundred thousand, the sum payable shall be \$750,000;

And thereafter, the sum payable shall be \$1,125,000.

2. As an additional allowance in lieu of public lands, there shall be paid by Canada to the province annually by half-yearly payments, in advance, for five years from the time this act comes into force, to provide for the construction of necessary public buildings, the sum of \$93,750.

The Saskatchewan Act is in the same terms except as to the amounts payable. Remember that in 1905, when these provinces came into being, they had no public lands, and it was provided by statute that we should pay them annually a sum rising to \$1,125,000 in lieu of lands. But in 1930, just before an election the government of that day, much