

A fifth conference will be held before the end of the month, under the chairmanship of the Minister of National Health and Welfare, the Honourable Paul Martin, to consider the question of health insurance.

"In addition to these conferences," said the Prime Minister, "we have had several discussions between individual federal and provincial ministers from time to time and between officials of our various governments. There has also been some correspondence on the matters which have been discussed at our meetings. These have all contributed to the working out of the matters that were of such concern to us all."

"I would like to indicate," the Prime Minister continued, "my colleagues' and my own appreciation of the friendly and co-operative spirit in which the provincial governments participated in all these discussions this year.

The settlement of these problems was a subject "of such concern" both to the federal and to the provincial governments; that is why the friendly and co-operative spirit shown by the latter was deeply appreciated by the whole population of Canada.

The Prime Minister and his colleagues "fully recognize the magnitude and the importance of the problems which the growth and development of this country have created for the provincial governments, and have borne this in mind in making their recommendations about their relations with those governments", following this useful discussion and these friendly meetings. The cordial atmosphere in which they took place caused such surprise to the leader of the Conservative opposition that he ignored federal-provincial relations in his criticism of the Speech from the Throne.

The Honourable Walter Harris, Minister of Finance, stated at a press conference that Ottawa's new proposal contained nothing which might lead the provinces to believe that their rights were being overridden. "I can see nothing" he said, "in our proposals which might give rise to the argument that we are interfering with the affairs of the provinces. If a province finds that our proposals do not provide it with sufficient revenues, it is free to levy its own taxes".

As a distinguished newspaperman, Mr. Lorenzo Paré, parliamentary correspondent of *L'Action Catholique* and former president of the Press Gallery, so aptly remarked:

Ottawa is being very careful this time to respect the freedom of the provinces. There is no "take it or leave it" attitude. The various governments will continue to negotiate and a further inter-provincial conference may be held, if the premiers so desire.

Whatever decisions are finally reached, it can safely be claimed that better plans for a settlement have now been laid than ever before, but the present stage is such a difficult one that the good will of all parties concerned will be required in order to avoid confusion in the public mind and to achieve a proper solution.

For eight months the Minister of Finance has devoted most of his time to the working out, with the co-operation of the officials of his department and of the representatives of the provincial governments, of a new and more acceptable formula with regard to the fiscal agreements between the federal and provincial governments. The Prime Minister believes that a fair apportionment of a sum of \$500 million between the provinces will constitute a satisfactory arrangement for all provincial governments.

This is a praiseworthy effort by the Minister of Finance. Last November, addressing the Canadian Club in New York city, the Honourable Walter Harris reminded his audience that, in 1954, following eight years of budgetary surplus, a deficit of \$150 million was recorded; that is 3½ per cent of the total expenditures. Nevertheless, he recommended, to the astonishment of many and to the satisfaction of all, that the scale of taxes be moderately cut down in order to balance the budget during a whole year of high level economic activity. He was compelled to prepare and present the budget at a time when the increase in business activity was not as yet apparent. His budget was adequate and reasonably optimistic. He forecast a deficit of about \$160 million for the current year. The course of events has been even more satisfactory than Mr. Harris had hoped; that deficit is likely to be half the amount he had forecast.

In a speech delivered on January 12 at the annual meeting of the shareholders of the Royal Bank of Canada, Mr. James Muir, president and chairman of the board, asserted that this decision, this new trend towards deficit financing, unless it is reversed, is significant as it will no doubt determine the type of budgets that will prevail during the coming years.

Speaking to the Canadian Club in Toronto on January 9, the Honourable the Minister of Finance advised the Canadian people not to spend too much and urged them to be provident in order to divert inflation from our Canadian economy.

In 1955, he said, Canada recorded a strong and continued increase in its economic activity, in practically all fields. Total production increased about 10 per cent over 1954, topping the high level reached in 1953 . . . All year-end forecasts have pointed out the possibilities of 1956. I am convinced that this year will bring great developments.