

in this or that province, the federal taxation would be less, the federal revenue would be correspondingly less, and the provincial authorities would be left to impose taxes of their own to the extent necessary to cover such provincial expenditures as they felt they could afford. I have added to the permissible federal obligations certain expenditures so far as the Atlantic provinces are concerned, and also developments beyond the capacity of a province to handle but of a character which could be said to have some national character of importance. But in my opinion the system of responsible government breaks down when you interpose a conduit pipe between the taxpayer and the spending authority, and that is exactly what the continuance of these tax agreements is doing. Whether the percentage of personal income tax which the federal authority gives to a province is 13 per cent or 10 per cent, it means that the federal authority has to find somehow or other more revenue, whether out of existing taxes, or by increasing taxes, or by reducing its other expenses in order to make these additional payments to the provinces.

So I repeat, upon the principle I have enunciated, whether the percentage is 10 per cent or 13 per cent does not matter; the principle of that kind of giving is wrong, and when we persisted in continuing these rental agreements after the war emergency had passed, it certainly was a retreat from reality. It is a non-realistic approach to the taxpayer. From the point of view of the federal authority it is bad business, because the federal authority is viewed as a tax-gouging ogre, levying high rates of tax, assembling large revenues, and doling out money in a miserly way to the provinces, who are yelling all the time that they are not getting a fair share of their own dollars for their own purposes. The very simple way out of that situation would be for the federal authority to step out of the field of taxation in income tax and corporation taxes except to the extent that it needed money for its own federal purposes, and then say to the provincial authorities, "There is the field you want; there is the field you say is yours; go ahead and tap it to any extent you dare for the purposes of provincial development."

I should point out that this amendment is for the year 1958-59, during which time it is proposed that the provinces shall get 13 per cent instead of 10 per cent. I do not pose as an economic prophet but I believe I possess ordinary powers of observation and I have had a little experience in this field. In looking ahead I do not believe it would be a difficult or irrational conclusion that, based on present rates of taxation, the revenues

which the federal authority will collect by way of personal income tax in the year commencing April 1, 1958, will produce a smaller amount in dollars than the amount collected in the tax year which has just concluded. In my view, the 13 per cent increase will produce less revenue next year than the 10 per cent produced during the past year.

Hon. Mr. Brunt: The Government is just trying to be equitable.

Hon. Mr. Hayden: The interjection of my honourable friend is well meant and I always welcome interruptions, for they give me something to hang a statement on. If he is satisfied with the philosophy that it is nice to be generous—

Hon. Mr. Brunt: Just equitable.

Hon. Mr. Hayden:—and to give people more of less, why, then, I can understand the situation, for next year there is going to be less. He is saying the Government is being equitable by giving the provinces more of less, which means the federal Government will have less from which to give. Its revenues will shrink because, among other things, we have increased certain exemptions and reduced certain rates of personal income tax. In any event, even if the overall revenues are buoyant, the Government will not get the same revenue from the personal income tax field that it got during the past year. It may sound as though the provinces will get more because their share is being increased from 10 to 13 per cent of the amount of personal income tax collected, but in my opinion when they come to calculate in dollars the 13 per cent on this year's revenue it will amount to less than the 10 per cent produced from last year's revenue.

That brings me to a rather interesting explanatory note, which reads in part as follows:

The purpose of the proposed new section 12 is to increase the percentage to thirteen for the fiscal year 1958-59, thus increasing the payments to be made to the provinces in that year.

I seriously question that statement. I do not think it is correct. If after the words "thus increasing the payments to be made to the provinces in that year" there had been added the words "over what they might otherwise get on the existing basis of 10 per cent," I could understand that; but, on an overall basis they are going to receive less from a 13 per cent share in the coming year than they did from a 10 per cent share last year.

So we speculate and make provision in the supplementary estimates for an amount totalling some millions of dollars, and we find the Premier of Ontario singing in a little sweeter note—