

*The Address—Mr. Breton*

ince of Quebec was able to considerably increase its expenditures for civilian purposes. We therefore find that the province of Quebec is still in a better financial position than the federal government. On the other hand, the province of Quebec was never deprived of taxation fields. I will go much further and say that the province of Quebec did not suffer any fiscal encroachment on the part of the federal government, but the reverse is true. Section 92 of the British North America Act allows the provinces to levy direct taxes, and nothing else, in order to raise money. And yet indirect taxes are absolutely reserved to the federal government, a fact which is denied by no one. At the present time the Quebec government raises \$57,000,000 by indirect means, that is to say in a manner which should be the absolute prerogative of the federal government under the constitution. Last year the Quebec provincial government raised \$43,400,000 by means of a gasoline tax of 13 cents a gallon levied at the wholesale level. This was indirect taxation. And it is the same thing with regard to the 10-cent tax on tobacco which is levied indirectly on wholesalers. Consequently, if impingement there is, it is not impingement by the federal government but by the provincial government whose taxation methods are modelled after the federal system of taxation.

I do not say that the provincial government is wrong in acting that way, but I believe that if there were to be amendments to the constitution—and I am one of those who believe that amendments should be made to the constitution—such amendments should allow the levying of taxes by the provinces, indirect taxes, on the sale of certain consumer goods.

I understand that the province of Quebec might like the federal government to withdraw from certain fields of taxation, as it did in the case of gasoline. Hence, through this vacuum created by the withdrawal of the central government, the province of Quebec entered upon the scene without the public noticing it. If the same thing happened in the case of direct taxation, the provincial government might benefit therefrom, without the public noticing anything. But that is not a constitutional problem. It is a purely political problem and there is no need to discuss in this house the merits of the case.

As you can see, Mr. Speaker, the provincial government has at its disposal all the necessary resources to fulfil the obligations for which it was set up, and if it wanted to give \$10 million to the universities tomorrow, it has the constitutional right to levy an income tax, or to increase succession duties, or to levy any tax it wants to, direct and

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even indirect, because the federal government has never wanted to interfere or to quarrel with the province of Quebec on that score.

Now, Mr. Speaker, I come to the question of subsidies. It has been said again and again that subsidies were destroying the constitution or that they were against the spirit of the constitution. Is that true? Here again nothing is more untrue. Let us see what took place between 1867 and today; we shall see that confederation is based on the distribution of subsidies.

In 1864 the fathers of confederation met in Quebec and examined what powers could be granted respectively to the federal government and to the provinces. They held that the central government should look after railroads, customs, excise, postal services and so on. Once these diverse powers had been distributed they established what revenues it meant. What did they find? That through this distribution of powers, the federal government would have a revenue of \$12,000,000, while the provinces would have \$1,500,000 only. The fathers of confederation saw no other way to maintain the balance between the different powers but the system of subsidies. At that time the subsidies were estimated at \$2,500,000 on a per capita basis. The amount paid in subsidies during the first year was about 100 per cent higher than the income of the four provinces. And this situation existed until 1896; so from 1867 to 1896, half of the income of the provinces, and more in the beginning, consisted of federal subsidies. Could it be said that subsidies are against the spirit of confederation and that the fathers of confederation were opposed to them? No, Mr. Speaker, it has been realized that a perfect federal-provincial balance could not be established without a system of subsidies. And now a word about those who accuse us of encroaching upon matters coming strictly under the jurisdiction of the provinces. The wisest autonomists are those who study the scope of constitutional texts. They dare not claim that the federal government impinges upon the taxation field, but it will be said, for instance, that the federal government encroaches upon provincial rights when it pays subsidies in fields belonging exclusively to the provinces. With regard to this point, Mr. Speaker, I have again consulted the texts and have wondered what to think of this more subtle accusation. This is what section 91 says:

It shall be lawful for the Queen, by and with the advice and consent of the Senate and House of Commons, to make laws for the peace, order and good government of Canada, in relation to all matters not coming within the classes of subjects by this act assigned exclusively to the legislatures of the provinces.