

this argument? Hon. members are aware that they bring in the constitution—and that is always pretty baffling to the public. Mr. Drew, and also the premier of Quebec claim that the dominion has been invading rights which are theirs exclusively in the field of direct taxation. Let us look into that. The constitution is set out in the British North America Act, section 91 of which sets out the taxation rights of the federal government. In part, it says that the federal government has exclusive legislative authority for—

The raising of money by any mode or system of taxation.

Then section 92 of that act sets out the rights of the provinces and, among other things, it says this:

The legislature may exclusively make laws in relation to—

2. Direct taxation within the province in order to the raising of a revenue for provincial purposes.

Now, if the premiers of these hold-out provinces say that the provinces have a clear domain in direct taxation—and it seems that these provinces have a right to impose taxes of this kind—the constitution is, of course, with them. Of course it is. But if, however, they say that Ottawa has no right whatsoever in these fields, the constitution is clearly against them.

They are in a peculiar position, too, in that they claim they are resting on the constitution which they believe should be inviolate. It would require an amendment to the constitution to eliminate the federal government from the fields which they criticize the federal government for being in. Thus I say that, on the pretext of desiring to defend the constitution as an integral document, the premiers of Quebec and Ontario are, in reality, seeking to usurp powers specifically assigned to the federal government by the fathers of confederation; or, in other words, to whittle down the rights of the central government.

With respect to income tax, who entered the field of income tax first? The dominion government was in that field in 1917. Neither the province of Quebec nor the province of Ontario imposed income taxes until 1926. Yet they say there is intrusion upon their preserves. I know the argument is not of great importance at the present time, because we have found that, no matter how heinous would be this practice, these particular premiers are prepared to put up with this horrible and unconstitutional proposal, provided that the price is right.

The federal government, as we know, was represented by a capable group of cabinet ministers. At pages 508 and 509 of the proceedings of the conference, the Minister of Justice (Mr. Isley) is reported as saying:

The courts have repeatedly held that the dominion government has equal rights to impose either direct or indirect taxation. And let me say right here that I dissent entirely from the view that the fathers of confederation were mistaken when they gave that right to the dominion government. Where would this country have been at the time of the first war or the one which has just closed had it not the right to go into the field of direct taxation?

The Minister of Justice said that this nation would be a nation with its hands tied behind its back; and I think all hon. members will recognize that that is a fairly accurate statement.

Another argument advanced by the provincial premiers is that there is something dangerous, something wrong, something demoralizing in the subsidies principle. The financial critic of the official opposition has brought in Sir Wilfrid Laurier, the *Winnipeg Free Press* and others to support him in that particular contention. The provincial premiers are alarmed at the percentage of their revenues that would come from the subsidies system.

I should like to remind hon. members that when this country became a nation, when the confederation agreement was made, the proportion of revenues to subsidies, with respect to both what it cost the dominion and what was received by the provinces, was greater at that time than it is under present agreements.

So I say that the real grievances, although they are used as a cloak, are surely neither the constitution nor the danger of subsidies; because we have seen that both of these premiers have indicated that at a certain price they will be prepared to do business.

I am reminded of a story I read in the *Reader's Digest*, in which Lord Beaverbrook was said to have been playing a game of hypothetical questions with a famous actress. In this game Lord Beaverbrook said to the actress, "Would you live with a stranger if he paid you £1 million?" She said without hesitation at all, "Of course I would." He said, "And if he paid you £5?" And she said, "What do you think I am?" He said, "We have established that; we just want to know the degree."

I say that obviously the two premiers have nothing on which to stand when it comes to a consideration of the constitution and the danger of subsidies. In fact, I should like to ask some of the federal members of the Progressive Conservative party—the hon. member for Kamloops (Mr. Fulton), the hon.