

necessities which brought about the most useful examination of these problems were almost exclusively the necessities of a few provinces which had not sufficient revenue from direct taxation—especially since the invasion of the field by the dominion authorities—to carry on their governmental activities with any degree of comfort. The situation is now quite changed. While there is still a need for reallocation of the taxable revenue of Canada at large, the most necessitous of all these agencies is the dominion government. The one which cannot wait, the one which is insistent is the dominion. A strange aspect of the budget is this. In the royal commission report it was suggested that a reallocation of revenues might become necessary, and one finds the following at page 72 of the second volume of the report:

One of the difficulties inherent in any federal system is the rigidity which marks the division of jurisdiction between the central and local governments.

A little farther along we find the following:

Our instructions obviously contemplated the suitability of a reallocation of powers which would require constitutional amendments, and we are reporting as to what in our opinion will "conduce to a more efficient, independent and economical discharge of governmental responsibility in Canada."

Then farther on they say:

We desire merely to emphasize the necessity that some procedure for constitutional change should be evolved.

We think that the introduction of a measure of flexibility in the Canadian federal system should be considered. A number of provinces may on occasion be willing and may even actively desire the dominion to assume responsibility for a function which is beyond its constitutional powers. The dominion may itself be willing to assume the function but be unable to do so until public opinion has developed to the extent of permitting a constitutional amendment to be made.

I point out that it was at all times understood there could be nothing in the nature of a reallocation of revenues similar to those mentioned in the budget until there had been a constitutional amendment. To-day it is said an amendment is not necessary. It is well to remember that the royal commission on dominion-provincial relations made its report before the war. When the war came, agreements between the provinces and the dominion were entered into, and the dominion is now in possession of these so-called fields of taxation; the dominion is in possession of the territory.

In passing I may say, as an interesting feature, that the dominion was given these rights to tax for a definite period and for the purpose of winning the war, and that at a certain moment the dominion government diverted the proceeds of these rights to tax

from the purpose of winning the war to the purposes of winning an election, which just shows one of the difficulties which will ensue from the prosecution of this centralizing policy. But let us go on. Under these agreements the dominion has the exclusive right for a time, and I am sure that my hon. friends will not argue that because under the peace, order and good government enactments of section 91 they were given, as a result, and because of the emergency arising out of the war, the right to occupy the provincial field, that right remains in them for any additional period. I believe that has been established by the passage of the legislation in December last when the transitional emergency was born. We produce emergencies with greater facility than we used to. It was never intimated, never suggested, that these powers whereby the dominion would exclusively collect moneys by direct taxation would remain. I am aware that judgments of highest authority have held that the dominion has the right to levy taxes of all types, direct and indirect. Nevertheless these private agreements which the dominion offers to the provinces—one by one—go farther. They would result in the suspension of the most considerable, the most elementary, the most fundamental function of government, namely, that of levying taxes and being called upon to account for them. But the dominion is in possession of the field. It collects from income and corporation taxes something like \$1,550 million. The minister has said somewhere that he thinks it should be reduced to \$1,200 million, because of some changes that are about to become effective; nevertheless there are \$1,200 million, without considering succession duties, which the dominion seeks. It is going to spend these amounts and from them it undertakes to give the provinces about \$200 million a year. It is going to do all this without amending or attempting to amend in any way the British North America Act.

Speaking at the plenary session of the dominion-provincial conference, the Prime Minister (Mr. Mackenzie King) said, as reported at page 9 of the proceedings:

In all its proposals, the dominion has assumed that Canada's federal system of government should be preserved and strengthened. I should like to repeat what I said at the plenary session on August 6, last.

I skip a bit, and continue:

The only constitutional change suggested is the proposal, already mentioned, for the delegation of powers, and with this one exception under which the dominion is prepared to enlarge the powers of the provinces, none of the dominion proposals would require an amendment to the British North America Act, or involve any fundamental disturbance of the