

*Trans-Canada Highway*

to grant old age pensions to the extent of 100 per cent; that the provinces must of necessity, by reason of that fact, contribute to old age pensions? Did he not say that in opposition to speeches of members on this side who were then on the other side of the house?

Mr. MACKENZIE KING: I am glad my hon. friend has raised the question because it indicates that apparently even yet I have not made clear, to him at all events, exactly my position as it is now and as it always has been on that question. As my hon. friend has just said, I did make the statement that it was not constitutional for the dominion government, under the British North America Act as it now stands, to administer an old age pension scheme 100 per cent.

Mr. PETTIT: The right hon. member now says they should.

Mr. MACKENZIE KING: Exactly, I say they should; I say the British North America Act should be amended so as to make it possible for the federal government to undertake the administration of that scheme. When the scheme was being launched and it was uncertain how many provinces were likely to take advantage of an old age pension scheme, there was some justification, not on grounds of sound financing, but on grounds of moving forward a stage or two a much needed measure of social reform, for the federal government making a contribution to the provinces to enable them to begin doing something which they alone individually could do but which we believed to be in the national interest to have done in a general way. But now that most of the provinces of Canada have made it apparent that they believe in old age pensions; now that the amount that is being contributed by the dominion to the provinces is to be no longer 50 per cent, but 75 per cent of the total outlay, we say that the time has come when the federal parliament should seek to have the British North America Act amended so as to make it quite clear that it will be within the jurisdiction of this parliament to administer an old age pension act, and that hon. gentlemen should proceed to fulfil their promise, if they intend to fulfil it, with the obligation upon themselves of not only raising what is necessary in the way of revenue for the purpose, but also doing what is necessary by way of administration and control of the expenditure of moneys which they themselves have raised.

Mr. PETTIT: May I ask just one more question? The right hon. gentleman stated that the provinces did not contribute one cent to the national exchequer. Does he not

[Mr. Pettit.]

admit that the provinces throughout the dominion contribute very materially to the national exchequer in proportion to their population in connection with the importations of goods and the duty paid on them?

Mr. MACKENZIE KING: When I speak about the provinces contributing, I am speaking of the treasuries of the provinces making contributions to the federal treasury as against the federal treasury making contributions to the treasuries of the provinces. My hon. friend has spoken about goods imported and what is paid in customs duties. Prior to this year quite a large sum of money has been raised in that way, but I am afraid after this new budget goes into effect there will not be very much money raised out of customs revenues, and therefore anything that comes from the provinces, even in regard to what my hon. friend has in mind, will be very small. The very thing which he has in mind, however, was the reason why the fathers of confederation undertook to give from the federal treasury a subsidy to the provinces. When confederation was formed, there were those who wished to allow the provinces to continue to raise revenues by tariffs. It was agreed a dominion could never be formed on that basis. The provinces were unwilling to raise all their taxation by direct taxes, and a compromise was reached whereby whatever revenues they were to raise were to be raised by direct taxation, but that they would receive by way of adjustment a certain subsidy upon a per capita basis which would tend to equalize arrangements as between the different provinces. They were to get this particular sum by giving up their right to raise taxes by indirect taxation, and the very subsidies that we are paying the provinces to-day are being given to them for that very reason.

Hon. CHARLES STEWART (West Edmonton): I rise briefly to state my position in connection with the matter of grants to provinces. I am opposed for reasons other than those given to-night. I believe that federal grants to the provinces constitute a direct interference with the prerogatives of the provinces and frequently lead to expenditures which they otherwise would not contemplate. I speak in the light of experience. I can remember that some years ago grants were made in aid of highways to create employment for returned men, constituting a direct obligation upon the federal government. I am not offering a complaint except to say that considering the state in which the province of Alberta was at that time, and the fact that the federal treasury supplied