

that it was intended to have another federal-provincial conference later on, but this session of Parliament has lasted so long that it has not been possible to do so. Furthermore, a conference could not be held now, in any event, because all the provincial legislatures are in session. It was thought, therefore, that by this means we could give them something to go on with for the next four years. As the Prime Minister pointed out, further conferences will be held to try to reach further agreement on the whole proposition.

Hon. Salter A. Hayden: Honourable senators, I want to say a few words on this bill, but only in reference to the second part of it. I have no quarrel at all with contributions that are proposed to be made to the Atlantic provinces.

So far as the second part of the bill is concerned, anything that I have to say relates to the principle. I do not see how the difficulty which I experience could be resolved by reference of this bill to committee, even if there were committee meetings for the next month, because, for me, the problem is a basic one. Maybe I am one of the few rather than one of the many, but it has always been my view that the spending authority and the taxing authority should be as close together as possible, because in that way there could be real responsibility as between the taxpayer and his representative, which is the levying and collecting authority and also the spending authority.

I believe that, on account of the special situation which prevailed during the period of the war, tax rental agreements at that time could be justified. But since then I have never been able to satisfy myself that it is a good thing that the federal authority should act as a conduit pipe and levy taxes upon the people of Canada for purposes which have no relationship to ordinary federal spending or for particular objects of national development, but solely in order to syphon off the product of the increased taxes for provincial purposes. I think it is a bad thing for the provinces to get large sums of money in this way. It may be said that people know that taxes are collected for the purposes of giving the money to the provinces, but they would know it in a different and much more realistic way if their particular province were imposing the taxation to provide revenue for necessary services and developments within the province. There would then have to be some relationship between the ability of the province to tax and its available revenues, and it would have to budget accordingly and spread its expenditures over the period required to raise the necessary moneys to take care of

these expenses. It is a negation of the idea of responsible government that a federal authority imposes taxes to hand the money over to a provincial authority. I can understand that the federal authority might impose taxes for a variety of reasons which are not very closely related to its specific activities. A recent example is the provision of special contributions to the Atlantic provinces. One may find a basis of this action in the understanding which was reached at the time those provinces came into Confederation. Certainly they did so on the basis that their position was not to deteriorate over the years, as compared with what it then was, and in the light of the opportunities which their situation afforded them; so there is a federal obligation to improve the economic picture in the Atlantic provinces and to endeavour to maintain it on a basis which bears some equality with what the position would have been if they had never come into Confederation. I also recognize that some developments in a province may be national in their character, and that federal taxation to provide money, either for direct spending on these developments or through the medium of the province concerned, would be justified. But it seems to me that the chain of responsible government breaks completely when federal revenues are collected merely to be handed over to the provinces. I venture to say that our corporation tax, instead of being 47 per cent, could be reduced by 10 or perhaps 15 per cent if the federal government collected revenues from this source merely for its own purposes and the provinces looked after the imposition and collection of corporation taxes for their specific purposes.

Hon. Mr. Brunt: Would the honourable gentleman permit a question?

Hon. Mr. Hayden: Yes.

Hon. Mr. Brunt: If less is to be collected which government would have to get along with less, the federal government or a provincial government?

Hon. Mr. Hayden: My friend has posed a question which is really very simple to answer. What I say is that the federal Government is now collecting, and has collected for all the years the tax agreements have been in force, vastly more in taxes than it needs for its own budget and fiscal spending. The reason it has done so is that it has been making these contributions to the provinces for their own use. Therefore, I say, if the federal authority looked after its own business and such additional obligations of a national character as it might have, including also contributions for certain developments