

The chief functions of government were considered to be the field of defence and internal order. It was thought that the business of the country was best left to the play of economic forces. In other words, the best government was considered the government that did the least governing.

Times have changed since then, and in nearly all democratic countries, whatever party is in power, governments have assumed increasing responsibilities for social services of one kind or another. Canada was no exception. Shortly after Confederation the provinces found themselves faced with heavy expenditures for roads and education. Then came responsibilities for public health matters, mothers' allowances, old-age pensions, unemployment relief and all the other social services of the modern state.

Various expedients were adopted to meet the difficulties which arose from time to time. Sometimes the federal government made grants, sometimes it increased the subsidies and sometimes it bore a share of the cost of services which were provincial responsibilities. The great depression of the early 1930's brought matters to a head. Provinces found themselves responsible for relief of destitute persons on an unprecedented scale. The federal government made grants on an increasing scale but it was realised that some permanent solution was required.

It was in 1937 that the government appointed a Royal Commission with broad powers to consider the economic and financial basis of Confederation, the distribution of federal and provincial powers and the financial relations of the central and provincial governments.

This Commission spent two years of intensive study and in 1939 made its recommendations. They urged the transfer of certain functions from the provinces to the dominion and the shifting of taxing powers. The Commission also recommended the payment from the federal treasury of special grants based on the needs of the provinces and designed to enable the poorer provinces, without resorting to taxation higher than the Canadian average, to provide adequate social, educational and development services. The recommendations of the Commission have never been implemented. War came in 1939. The heavy financial burdens of war fell upon the federal treasury. Unemployment dried up and the financial position of all the provinces improved. During the war the dominion signed tax agreements with all the provinces, whereby the provinces relinquished certain taxes, including income tax, in return for fixed payments from the federal treasury. These tax agreements came to an end after the war. From time to time since then, attempts have been made to make a comprehensive scheme but at the moment the position is that the federal government has tax agreements with some of the provinces but not with others.

I have laboured somewhat this tale of our financial difficulties, to emphasize the importance, in drafting a new constitution, of making sure that responsibilities are not placed on the central, provincial or municipal governments set up, beyond their capacity to pay for them.

I have now discussed the division of powers and the financial relations between the federal and provincial governments. The other problem which has given us some concern is the still unsettled one of amending our own constitution. This may surprise you that, after being in existence over eighty