

income taxes in their lifetime. I repeat that that has been one of the chief uses the dominion has made of this law. You cannot get succession duties approved unless you can explain how a person who paid an income tax of so much left an estate of a certain value. In dealing with one estate the other day the department said: "During the last ten years this man reported an income of such-and-such an amount. How is it that he left so much money?" That is the difficulty you face now. Canada can never prosper as a united nation so long as that sort of thing continues.

In my judgment—I believe I am expressing the opinion of not only Manitoba but of the whole country—there is only one way in which our provinces and the dominion can get together: that is by sitting around a table until they have threshed out their differences, whether this takes a week or a month or a year. When there is a dispute between labour and industry the government says to these people, "Why don't your representatives get together around a table and come to an agreement?" Yet that very government refuses to sit down with representatives of the provinces. I sat in the gallery here and listened to the discussions at the dominion-provincial conference of last May, and the federal government's attitude was strongly criticized by the premier of Nova Scotia and other premiers. It was clear that there was no attempt on the part of the federal government to make a deal then. In fact, the budget proposals represented an offer of about \$180,000,000 to the provinces—I believe I am right in that, but if not I will stand corrected. But now if all the provinces come in on an agreement on the terms that were given to British Columbia, the total payments will amount to about \$227,000,000. I believe that the only solution of this matter is for the government to get all the provinces together and stay with them until they can reach an agreement of such a character that the men who resist it will be resisting for political reasons and not on constitutional grounds or in the best interests of Canada.

Hon. Mr. EULER: When you say \$227,000,000, does that include Ontario and Quebec?

Hon. Mr. HAIG: I understand so. That is the last offer. The original offer was \$180,000,000, but the last offer was \$227,000,000, providing they come in on the same basis. The Siros report was founded on the principle of fiscal need. I do not know that there is much difference between what is recommended and what is being done now; but the present method is to count the heads and give the

old statutory allowance, and then to give 50 per cent of what was collected prior to 1941. It happened that at that time British Columbia had a very heavy taxation. I am reminded of the time when the government froze rents. I was somewhat of a grasping landlord. My clients' rents were all up good and high, but those of my next door neighbour, who was not quite so grasping and was a very nice fellow, were down low. He is still getting his low rent and my clients are getting their high rents. British Columbia had a very high taxation of personal and corporation incomes, and a 50 per cent provision gives them a much higher proportion than some of the other provinces get. The minute that was known, Manitoba came along and said, "You are only giving us \$11,000,000, you ought to give us \$13,100,000." So the government came through with another \$2,100,000. Saskatchewan did the same thing, and I believe New Brunswick also.

In my view the only solution is the one I have suggested. Although I am not invariably in agreement with Mr. Bracken, I entirely agree with the stand taken by him on this question in another place. No man in Canada knows so much of this problem as he does. He was engaged on it for ten years, five years as premier of our province, and he made a bitter fight in 1937 or 1938 to have something done to improve the situation. The problem is with us, and we should not leave it as a festering sore in the public life of this country. It will be solved some day, and it must be solved right. We want Ontario and Quebec to be in on the agreement, but unless they get a deal which their premiers, rightly or wrongly, believe they should get, I do not see any hope for the success of the present arrangement.

That, I think, pretty well covers the question of taxation. Our taxes are too high. There is a theory that the people who have incomes should be taxed; that taxation should be based on ability to pay. I often question whether that is the right formula. Let me illustrate what I mean. In the city of Winnipeg are two stores which have been in business there for many years. During the period from 1930 to 1937 one made a large annual profit, I believe about \$1,000,000 a year; the other one went behind about half a million dollars a year. The store which made a profit of \$1,000,000 sold goods cheaper than they were sold by the company which lost about half a million. This was possible because of the buying ability and knowledge of markets of the manager of the \$1,000,000 profit organization, as against the inability of the other man to buy and to size up the market. But who was taxed? They