

When the commission was set up we knew there was something wrong but did not know what or where. We did not know what the problem was and where the trouble lay, but we knew there was a real problem before this country. The commission gave us the facts and figures. We now know where the wheels grind and which one should be replaced for greater efficiency. The commission also made a number of recommendations which, in their opinion, would meet the problem. The federal government took the lead in implementing those recommendations. It tried again and again to bring about some settlement with the provinces. It took such an active lead in the matter that the rumour has gone out in certain quarters that the federal government is in desperate need of provincial sources of revenue to meet the cost of its wartime expenditure. Nothing could be farther from the truth. The tax concessions which the federal government is asking for are certainly not favours to the federal government. It is merely to consolidate the position of many of the provinces and to give them a full measure of stability. The constitution gives the federal government full access to both fields of taxation, direct and indirect, but the government realizes that nine weak provinces or seven or six or four cannot constitute a strong country. And now is the time to consolidate the position.

In spite of all the difficulties, the government has succeeded in signing fiscal agreements with six, perhaps now I should say seven provinces. The federal government should be warmly congratulated upon having made a good start but it is but a start and the federal government needs the full and unqualified support of every man and woman of this country to extend to all citizens the benefits which a complete agreement with the nine provinces could give them.

To get the full significance of the problem, we should go back briefly to the original proposals of the commission.

Let us remember also that when the commission began its work the main problem it had to face was the financial position of many of the provinces. Some were so much in debt that they were on the verge of bankruptcy; others could not see the day when they would ever get out of debt. The heavy burden that had driven them to this desperate position was the colossal relief expenditures. Some of the provinces were in such a bad position that they did not have a twenty-five cent piece to give to the schoolteacher. It is to the credit of this devoted profession that they gave their services on credit and for a mere pittance.

[Mr. Jutras.]

Otherwise a great many children would have gone without any schooling at all. Such was the state of some of the provinces when the commission set out to find out the big question. Why?

We are in the midst of a relative prosperity now and human nature easily forgets. That was only in 1937. How can we assume that conditions will be different in the future if nothing is done about the matter? Fortunately, something has been done and a good step has been taken.

As I said, the main problem before the commission was the precarious financial position of the provinces. The solution of the commission was the following, and it was very simple, or comparatively simple in theory:

1. The dominion assumes entire provincial debt, not municipal.
2. To prevent the recurrence of such a debt, the dominion assumes entire responsibility for unemployment relief for employables.
3. To be able to meet that burden, the dominion discontinues the payment of subsidies, and gets the exclusive field of income, inheritance and corporation taxes.
4. To ensure a minimum standard of educational and social services, the federal government would pay the provinces an annual adjustment grant according to need.

It sounds very simple, but the great difficulty is that it requires a change in the constitution. The dominion saw there an obstacle that could not be surmounted. It therefore rolled up its sleeves and got down to work to try to find a way of accomplishing the same thing but within its constitutional rights and without diminishing by one iota the autonomy of the province.

The results were the federal proposals to the provinces, as we know those proposals. These are necessarily much more involved and complicated, because they are made to conform to the constitution and to respect scrupulously the autonomy of each province. In spite of all that, the federal government has since been accused of conspiring to wreck the constitution and of undermining the autonomy of the provinces. It is to prevent such accusations that the federal government took so much pains and put in so much effort to evolve the present proposals.

These proposals sounded so complicated and involved that very few people actually bothered to find out what they were and how they solved the problem of 1937—indebtedness of the provinces, threatening unemployment, and let me add here that even the big provinces in this dominion could take heed on this score, ensuring the distribution of a