

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, I hasten to assure the leader of the opposition (Mr. Bennett) that it would be presumptuous for me, a layman, to enter into the legal and constitutional discussion initiated by him with regard to the resolution. Naturally the government takes its legal advice from the Minister of Justice (Mr. Lapointe) who will, I am sure, in due course deal with the legal and constitutional phases to which my right hon. friend has been referring.

From the purely practical rather than the legal point of view, the resolution does point to certain facts which are inseparable from a federal system of government which has been passing through a testing time such as the last five years. The federal constitution involves a division of taxing powers. That division was made at confederation, and so far as the law is concerned I think I am correct in stating that it has not been altered since. During intervening years the necessities of governments, both federal and provincial, have changed and broadened in many respects. For many years past it was the consistent complaint of the provinces that their basis of taxation was not sufficiently broad to enable them properly to meet the obligations placed upon them by changed conditions, and particularly those obligations in connection with expenditures for social welfare, and activities of that kind.

In the capacity of a provincial minister and later of a provincial premier, I have attended interprovincial conferences as long ago as the years 1916 and 1917, and I do not recollect any conference at which the question of the powers of taxation of the provinces was not to the fore and presented vigorously by provincial representatives. During the past five years it has become more than ever apparent that the provinces have been unable within the ambit of taxation powers allotted to them to raise the sums of money necessary to enable them to carry out the obligations they have assumed towards their people. That condition became apparent, particularly with respect to the four western provinces, to a degree never before known during the period my right hon. friend opposite was Prime Minister. Finding it necessary to meet the situation in some way, his government commenced to do what had never been done before, namely, to loan money to the provinces from the federal treasury. I am not now criticizing the right hon. gentleman, but I am stating the fact as an indication of the condition which has arisen during the difficult years through which we have just been passing.

Surely it is evident to all of us that the revenues of at least the four western prov-

inces, and, in some measure, of all provinces, have been unequal to necessities. The older and wealthier provinces, having better credit, have been able to weather the storm of recurring deficits. As is well known the four western provinces were assisted from the federal treasury to the extent of about \$115,000,000. That is the amount up to date. Surely these are conditions which cause us to think seriously as to where we are going.

Undoubtedly at confederation it was intended that the provinces should discharge their sovereign functions and with respect to the discharge of them should be under no obligation to the federal authorities. No doubt it was intended that the provinces should be as free in their sphere as is the federal authority in its sphere. May I point out that if we continue along the road we have been travelling we shall soon reach a point at which, in connection with several of the provinces, the dominion will be the principal creditor. Indeed, continuing at the rate at which we have been accumulating obligations of this kind, we may be sure that we have not far to go until we reach the stage where the dominion might be the majority creditor of a province. Is that a desirable condition into which to drift? We have only to continue drifting along the lines followed in the past five years to reach that situation within a measurable time.

It is true that at confederation the principle of subsidy was adopted, but there is ample evidence of the fact that the fathers of confederation were conscious of the principle which has been mentioned in this debate, namely, that those public bodies responsible for the spending of money should be responsible for levying the taxation to raise it. The debates with respect to confederation revealed that if the subsidies from the federal parliament were so large as to infringe upon that sense of responsibility which ought to be present in the minds of public bodies spending money, the outcome could not be good so far as Canada was concerned.

As the years have gone by the amount of dominion subsidies in each case has been so relatively small, when compared with the total revenues of the respective provinces, that I believe we may say no evil results have accrued from the adoption of the principle of subsidies to the extent to which it has been adopted. But do we desire to go further in the direction of having one tax-levying body levy taxes upon the whole of the people of Canada, and handing over a substantial part of the proceeds to another