

The Budget—Mr. Macdonnell

prepared to consider assisting provided specific arrangements can be reached. (1) Assistance to raise provincial standards in the general national interest in respect to the conservation, protection and development of provincial natural resources.

That will be found in chapter III, section B1, page 24.

Yet, despite detailed submissions and repeated requests, the federal government has refused any support for the thoroughly sound Beechwood project.

An illustration of the impossible attitude of the federal government is contained in the following exchange which took place in this house on January 16, as reported at page 296 of *Hansard*:

Mr. Thomas M. Bell (Saint John-Albert): . . . May we expect a decision on this before the next election?

Mr. St. Laurent (Quebec East): You can expect a decision on it just as soon as there is put before us by the government and people of New Brunswick a scheme that can be studied as to its economic merits.

Mr. Bell: Does the Prime Minister deny the fact that on at least three occasions we have put forward such schemes?

Mr. St. Laurent (Quebec East): I do most positively deny that there has ever been put forward the kind of scheme that could be implemented along the lines I have mentioned. There have been general suggestions that they should get aid, and with those general suggestions we agree, but there has never been put forward any specific proposition that could be recommended to parliament as one that would really stimulate the economy of the Atlantic region in a fashion that would be beneficial to the whole economy of Canada.

Mr. G. W. Montgomery (Victoria-Carleton): . . . Do I understand the Prime Minister to say that the development of the Beechwood proposition on the Saint John river is not a sound and economic proposition, and one that does not stimulate the growth and prosperity of Canada?

Mr. St. Laurent (Quebec East): On the contrary, it has been found sufficiently sound to be financed without assistance from the federal treasury.

This seems to imply that the federal government will not provide assistance unless a project is sound; and the proof of soundness is the ability of the provincial authorities to finance it themselves. Heads I win, tails you lose.

The same failure of the federal government to act is found in other matters relating to the maritimes. I should have liked to mention other things but time forbids.

What about coal? While the government has been building the St. Lawrence Seaway and helping the United States pipe line interests to bring western gas to Montreal, nothing has been done to assure maritime coal its proper place in the national energy picture. This and other things cry out for attention.

Finally, a word about dominion-provincial relations. I can imagine that the Minister

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of Finance realized when he produced a budget with nearly \$400 million of surplus that it was not going to be particularly popular with the people of Ontario and Quebec. Let us consider the case of the province of Ontario. It has just produced a budget in which it has been obliged to raise its taxes for the first time in a good many years. Considering that Ontario is the centre of the Canadian boom and is enjoying unprecedented expansion, it is not unnatural that the provincial government should be unhappy about a situation like this.

The Minister of Finance has been bargaining like Shylock with the provinces and one fact stands out clear as crystal, that because of the dominion's centralizing actions the stream of revenue is flowing, so to speak, around the provinces to the dominion and putting the federal government into a position where it can pretend to be a charitable institution for the provinces;—of course, all at the expense of the provinces themselves.

The dominion-provincial controversy has been a long and painful process. If we carry our minds back to confederation we will remember that the "fathers", and particularly Sir John A. Macdonald, expected the provinces to play a very minor part. Incidentally, we should remember that at that time revenues were raised almost wholly from customs and excise taxes, licences for businesses of various kinds and taxes on real estate.

As time went on, the provinces, largely through the effect of the stubborn attitude taken by the provincial governments, were enabled, mainly by judgments of the privy council, to expand the scope of their activities far beyond what had been intended at the time of confederation. Shortly before Macdonald's death the independent and almost separatist attitude of several of the provinces gravely weakened the whole structure of confederation. Then came more prosperous years and the tide of immigration and for a good many years matters seemed to have more or less settled down.

There were, however, always latent difficulties and these became accentuated by the depression and, as a result, in 1937 the Rowell-Sirois commission was appointed. The recommendation of this commission recognized for the first time that in some areas of the country the economy was not so adapted for high taxation rates as other areas and that some effort should be made by way of adjustments to put each part of the dominion in the position where it could provide the social services in the same manner as other parts.