

remembered that these expenditures were at a very low level in the basic year used for the purpose of arriving at the figures in the Dominion Government proposal. If normal expenditures were undertaken by Ontario, the above deficit would be further increased by at least \$12,000,000.

Now that we are approaching more normal times, heavy additional expenditures for these purposes must be made and the result of the acceptance of the Dominion Government proposals would be a very heavy deficit. The additional money required to meet this deficit could only be raised by taxes in a field which would have been very severely limited by the agreement of the Province to vacate the fields of personal income tax, corporation tax, and succession duties, and to forego statutory subsidies.

The expansion of education^{al} and other facilities, which have been curtailed by the demands of war, would also have to come from that limited remaining field of taxation.

It is true that the payment of a minimum subsidy of \$45,500,000 for the relinquishing of these sources of taxation which brought in two-fifths of the total Provincial revenue in 1940-41, seems to be a very substantial sum in itself. But it only represents approximately the amount we received in 1940-41 from these sources and the Dominion statutory subsidy. The amount is much less than we would have received in subsequent years based upon the same rates as applied in 1940 and 1941.

At Confederation, the provinces surrendered their rights to impose customs and excise duties, as well as other forms of indirect taxation in return for subsidies which ranged from nearly 50% of the provincial budgets of Ontario and Quebec to 92% of the provincial budget of New Brunswick. Today those statutory subsidies, supplemented though they have been by automatic increases and subsequent amendments to the original agreement, represent only a small fraction of provincial revenue. In the Province of Ontario, for instance, the statutory subsidies amount to less than 3% of the Government's revenue. There is no reason to assume that the situation regarding the present Dominion