

Two hundred and sixty thousand; and an annual grant in aid of each province shall be made, equal to eighty cents per head of the population as ascertained by the census of one thousand eight hundred and sixty-one, and in the case of Nova Scotia and New Brunswick, by each subsequent decennial census until the population of each of those two provinces amounts to four hundred thousand souls, at which rate such grant shall thereafter remain. Such grants shall be in full settlement of all future demands on Canada, and shall be paid half-yearly in advance to each province; but the government of Canada shall deduct from such grants, as against any province, all sums chargeable as interest on the public debt of that province in excess of the several amounts stipulated in this act.

That is, with respect to guarantees that have been given and amounts that have been lent by the dominion to the provinces, even during recent years, we have the right to deduct from the sums which we have obligated ourselves to pay, the amount that may be necessary for the purpose of the payment of the interest that is due in excess of the sums mentioned in the statute. That does not arise at the moment. The sole question is whether or not there is such power in the provincial legislature as will enable that legislature to authorize an agreement to be made with respect to the portion of its revenues derived from the federal power so that they may be utilized for the purpose of discharging the debts and obligations of the province to the central authority or power. In the very nature of things it seems to me that that is elementary. Why? Because this parliament has authorized the payments that are being made under the British North America Act. In the opinion of some, and it is an opinion that does prevail in some quarters, there should be an imperial statute. Subsidies were in a sense sacred as distinguished from other forms of payments which might be made, and could not be retained or dealt with by the federal power. The answer is this, that section 118 of that statute as it stood in 1867 has been entirely modified and amended so that we have paid increasing sums, to which I shall presently refer, to all the provinces. And as those moneys are voted by this parliament to a province and the province receives them as part of its revenue, it follows that if the legislature of a province authorizes the dominion to withhold a portion of that money for the purpose of interest or sinking fund, the payment of principal or otherwise that may be due by the province to the dominion, there can be no question as to the validity of such action.

Mr. DUNNING: Has the right hon. gentleman considered it in the light of sections 113, 114 and 115, respectively?

Mr. BENNETT: Yes, surely. The sections referred to are as follows:

113. The assets enumerated in the fourth schedule to this act belonging to the union to the province of Canada shall be the property of Ontario and Quebec conjointly.

114. Nova Scotia shall be liable to Canada for the amount (if any) by which its public debt exceeds at the union eight million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

115. New Brunswick shall be liable to Canada for the amount (if any) by which its public debt exceeds at the union seven million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

That has been modified; the whole financial position has been changed. The right of the provinces, for instance, to receive part of the money in the possession of the federal government in trust has been made abundantly clear, and they have absolutely taken from the public exchequer, under the terms and conditions of the statute in that behalf, sums of money that were receiving interest from the dominion, and which provided a portion of their revenues until they were expended for purposes mentioned in the act.

It will be recalled that we had one case of that kind not many years ago. During his premiership of New Brunswick, the late Mr. Blair thought it desirable to use money to greater advantage than leaving it on interest with the federal government, and he withdrew portions for the purpose of increasing the revenues of the province and enabling certain public undertakings to be proceeded with. If there were any doubts about the matter it would seem to me that it could easily be resolved by making a simple test.

This parliament had control of the money that it voted to the provinces; the British North America Act had nothing to do with that. It was done by act of this parliament. It was not under the British North America Act, but by arrangement made between the provinces and the dominion. And I shall presently show that during recent years certain steps were taken in connection with the western provinces that indicated an entire departure from the principle of finance which governed in days gone by.

Leaving that for the moment, it must be apparent even to laymen that it would be a very peculiar thing if the provinces and the dominion could not make arrangements without getting further power from Westminster to provide that the provinces and the dominion may arrive at an arrangement by which the money due to the one shall not be paid if that one owes money to the dominion. That is the whole story. There cannot be anything more to it than that.