

We got along very well under that Constitution from 1867 until the end of World War I. True, difficulties arose between some of the provinces and the federal Government, but those difficulties were resolved in the courts and everyone accepted that. Outbreaks or difficulties of any serious nature rarely developed during that period.

I think the main reason we are involved in these difficulties with the provinces today is that we have raised our sights very high in the matter of expenditures, and at the outbreak of World War II the provinces surrendered for the period of the war their right to revenue from income taxes. They left that to the federal authorities for the prosecution of the war. It was always recognized that the income tax was a direct tax and, consequently, some argued that the provinces should have priority in access to that tax. But, at any rate, I think the trouble really started after the end of the last war.

In my view—and I have some knowledge of the matter—a trend of thinking developed following the last war that it was important, if Canada was to become a great nation, that there be more centralization in Ottawa. Consequently, the federal Government maintained its authority to collect these standard taxes which Senator Hayden explained yesterday. Coupled with that they recognized that new social concepts had arisen that had to receive consideration—things like pensions, family allowances, and now hospital insurance in a pretty broad field.

Let us bear in mind clearly that those functions which were the responsibility of the provinces under the Constitution were, one by one, taken over by Ottawa. The first was unemployment insurance, and the provinces agreed to an amendment to the Constitution placing that in the federal jurisdiction. The next was family allowances, and then followed pensions and hospital insurance. I wish to emphasize that practically all the responsibilities of the provinces in this field of the broad spectrum of social welfare were taken over by Ottawa. There is no doubt in my mind there was a good deal of thinking in Ottawa at that time that this would provide the argument why Ottawa should have the collection of and full access to these standard taxes. There was another argument, and it was a rather powerful one. It would be foolish if Ottawa had a system of income and corporation income tax and if each province had its own system, and the citizens had to file one or two or maybe three returns. An effort was made to consolidate that. Ottawa agreed to give in the beginning, I think it was, 10 per cent of the income it derived from these taxes back to the provinces on an equal basis; but since then the provinces have been pressing Ottawa for more

and more money, and we find the culmination of that pressure today in the bill before us. The effect of this bill is—if I understand it aright, and I think I do—that about 25 per cent of the revenues derived from these standard taxes—corporation, estate and personal income taxes—will be divided among the provinces under its provisions. How long will it be before the provinces are back again saying, "We must have more money"? In my judgment, this bill does not settle anything.

This method of dealing with this matter is open to another very grave criticism, and that is the principle, well known and accepted generally, that the authority that spends the money should have the responsibility for raising it.

Some Hon. Senators: Hear, hear.

Hon. Mr. Hugessen: That does not apply to the abatements, but only to the direct allowances to the provinces?

Hon. Mr. Crerar: Yes. In effect, what we are doing here is making the federal Government bear the criticism, for instance, if income taxes are levied at an excessive rate on the individual citizen; but if the federal Government, in turn, pays those taxes over to the provincial authority to spend on schools, on roads or in any other way it likes under the arrangement, the provincial authority has no responsibility for taxing the people of its own province and, consequently, that tends, I think, to extravagance and, maybe, to wastefulness. If you have a "sugar daddy", as Senator McCutcheon said towards the close of his remarks, where you can go and get funds, that is very fine; but I think the principle is absolutely sound that the authority that spends the money should have the responsibility for taxing its own people to get it.

The conclusion of all this in my mind, is that a new arrangement must be worked out. The principle on which that arrangement should be based is this: Let the provinces and Ottawa arrive at a clear understanding of their respective responsibilities, and then discuss how the total revenues of the country can be divided to enable each authority to carry out its responsibility.

I obtained some figures from the Bureau of Statistics the other day which gave me concern. The question I asked was: What is the total public debt, federally, provincially and municipally in Canada? The report I received indicated that the total federal obligations—not the bonded debt, that is only part of it—are about \$25 billion. That is explained by the fact that the federal Government has responsibilities, for instance,