

The Address—Mr. Garson

One of the key recommendations of the Rowell-Sirois commission, which was appointed to investigate and find a solution to this problem, was that income and corporation taxes and death duties should be imposed exclusively by the dominion government, and that in return for their loss the dominion government should make subsidy grants to the provincial treasuries and also relieve those treasuries of some of their current financial burdens. As we all know, an attempt was made in 1941 to secure agreement among the provinces to implement this report, but unfortunately this attempt was unsuccessful. Shortly afterward, however, the urgent need of maintaining war production in Canada necessitated the provinces and the dominion entering into the wartime tax suspension agreement. Under this agreement, the Sirois recommendation that the dominion government should be the only one in the income and corporation tax field was put into effect, upon the condition provided for in that agreement that the dominion government should make substantial grants to the provincial treasury.

These agreements, as their name would indicate, lasted for the duration of the war and one year thereafter. What, sir, was the experience of the provinces under these agreements? Were all the dire prophecies that were uttered by the premiers who walked out of the 1941 conference realized? No, sir, they were not. The experience of all the provincial treasuries, wealthy and not so wealthy, under this agreement was exceedingly favourable. All of them showed annual surpluses as long as the agreements lasted. The aggregate of these surpluses in some cases reached substantial figures. On ordinary account, those in the case of Ontario, for example, were \$46,812,000; in the case of Quebec, \$88,731,000. It could not be argued that, under these agreements, the wealthy treasuries were being prejudiced in any way.

Now, sir, this government realized that when the wartime tax suspension agreement ran out it would be disastrous for the majority of the provinces to return to the conditions which prevailed before the war. The dominion government, therefore, called the provinces together in a conference in August, 1945. The dominion made certain proposals to this conference, with the details of which I have no intention of detaining the members any longer than to point out, that if the provinces would continue to permit the dominion to have exclusive control over income and corporation taxes, as well as over death duties, then the dominion treasury would pay to the provincial treasuries substantially more money than had been paid under the wartime tax suspension agreement under which these treasuries had flourished so well.

In addition to that the dominion would bring in, for the benefit of the Canadian people, the most extensive program of social services that had ever been brought down by any Canadian government up until that time, as well as a public investment program which was to be worked out in collaboration with the provinces.

K. R. Wilson, one of the most competent financial journalists in this or any other country, made an estimate, I think the only estimate available, as to what it would cost the dominion to implement those proposals. He estimated it would cost no less than \$600 million per year, which compares with the pre-war peak collections of \$117 million per year which all the provinces obtained from income, corporation taxes, and death duties. It could not therefore be argued by any fair-minded person that this offer was in any sense an ungenerous one.

I have been told by a very well-known authority, whom I have no intention of quoting, Mr. Speaker, because it was a private conversation—this man was from Australia and an expert in his field—that this was a far more generous offer than the federal government had ever made to the states of that country.

This conference met in August, 1945, to consider these proposals. After five days the conference was adjourned, to meet again in January 1946. These negotiations which had been under way had produced at least one point of agreement upon which all the provinces and the dominion were unanimous, but which the hon. leader of the opposition, strangely enough, neglected to mention in this debate. One of his main arguments, as I have understood it, and I hope he will correct me if I am wrong, is that when the provinces sell or rent to the dominion their main tax field of direct taxation for an increased subsidy, however large, they lose their financial responsibility because they then lack any major provincial tax field in which such financial responsibility can be exercised. This is an argument with which I agree. In other words, the exercise of a financial responsibility is the balancing off on one hand by the treasury of the desire to be popular by providing more services for the people, against the desire to be popular by not imposing taxes upon the people. A tax field is required in which to exercise that responsibility.

If we stop at that point of my hon. friend's argument, as he did, it is not a bad argument. It is quite a good argument.

Mr. Drew: Mr. Speaker, since the hon. member has asked whether or not I agree, may I point out that, at no time during that