

the provinces these grants from the federal treasury, and you will not get, with respect to expenditure, that careful supervision which would be exercised if the provinces themselves were obliged to raise the money in the first instance. It is a bad system, a thoroughly vicious system, and that is the reason why the present administration has been seeking to put an end to a system that grew up at a time when the country was in the throes of war or had to meet a post-war situation — a system which, had it been permitted to develop, would have become thoroughly destructive of anything in the shape of economy, with respect to the expenditure of the people's money.

That citation was from the speech of the Prime Minister, Mackenzie King, on February 21, 1929. And on April 3, 1930, he said:

When on a previous occasion we were discussing this matter of grants from one treasury to another, I said I thought it was an unsound principle; in fact, I think I used the expression that it was a vicious principle to have one body raise the taxes and another body spend the people's money thus raised. Is there any hon. member who will disagree with me in that statement?

There is none. That is the extent of the statement I made. I was referring to a principle of financing, speaking simply in relation to what is sound and what is unsound in financing. Anyone interested in financing, whether of a municipality, a province, a dominion, an empire, or a league of nations, will, I think, admit it is unwise, an unsound, a wrong principle for one body to have to do with raising the taxes and another to be concerned with the spending of the money so raised, that other body not having to account to the representatives of those who have paid the taxes.

The only other authority I have is from a very celebrated Canadian: "It is a completely false principle that one government should impose taxes and another government spend the revenue therefrom. This will always lead to extravagance." That is a quotation from Sir Wilfred Laurier.

Mr. Smallwood I was present in the House of Commons when that statement was made. I am

not going to attempt to defend the Prime Minister — if he needed any defence against the crime of changing his mind. He did change his mind between 1929-30 and 1947. I repeat, the people of Newfoundland cannot afford to pay income tax to two governments. It can afford to pay it to only one. I would be in favour, as were the other seven provinces, of signing the tax agreement with the Government of Canada. The people of Canada are firmly in favour of having one government collect income taxes, corporation taxes and death duties. That is why the Government of Nova Scotia signed the agreement. They signed because the people of Nova Scotia wanted them to sign....

Mr. Higgins Do you know if the Prime Minister changed his mind and if so, why?

Mr. Smallwood I have not had the honour of being put in his confidence — he has not confided in me as to why he changed his mind.

Mr. Butt I read something on the dominion-provincial meeting. I got two clear impressions. One has not been mentioned here at all, the question of principle. That is, many people in Canada, including well-known people in public life there, felt that by these tax agreements, and by allowing the central government to control the finances to a greater extent, you would be destroying the whole basis of federal government and create a unitarian state. That is what they disagreed with. I believe Mr. King felt the same way some years ago. Another thing I noticed was this; whenever Mr. King was present at that meeting he was careful to say very little. These were two different impressions. The question of principle we ought to consider, for the simple reason that if you put any more control into the hands of the federal government, then you are going to get more dictation from the central government, and your province is governed by remote control rather than if you kept more control in your province itself. I believe very firmly, if you are going to develop a country, no matter how small, it has to be done by the people themselves, as close as you can get to the people — build it up from the small unions like local councils. When you get finances centralised in one government a long distance away, it makes it more expensive on the taxpayer. That came to my mind when Mr. Smallwood referred to the possibility of losing some of our services. I do not think it is likely that