

also be possible for the government of the province to carry on provincial government services without diminishing them, without reducing the level and standard of public service; and to do that without imposing on the people too heavy a burden of taxation. In other words, the total amount of taxation that is placed on the people of Newfoundland ... must be such as they can carry without too great a burden; and in the second place that burden of taxation put on them by the Government of Canada and the Government of Newfoundland together, must fall equitably and fairly upon them, and above all must not constitute too heavy a burden for our people to bear. Now the question is, can the Province of Newfoundland, should we become a province, pay its way? That is what we are met today to deal with.

Now I am not a prophet, nor am I the son of a prophet, and when I was born I was not given the gift of second sight. I cannot see through a stone wall more than any other man, and in these figures which I have tabled today I am not pretending that these are and must be the exact expenditures of the Province of Newfoundland.... The amount may be larger and may be smaller. I based these figures upon common sense, and upon what knowledge I have of the public services of Newfoundland as they exist today, and are likely to exist under confederation. With these criteria as a yardstick, I hold that the government of the province can and will pay its way, balance its budget, and do it without imposing too heavy a burden of taxation on the people, and without reducing the standard or level of public services.

Sir, what I have done is this. I have divided the public finances of this province, if we become a province, into two classes: on the one side expenditure, and on the other hand what money the government is likely to take in year by year to meet these expenses. I have done something else. I have taken a period of eight years for both.... My reason for that is that one clause of the terms offered by the Government of Canada provides that within eight years of union that government will appoint, not might, or may, but *will* appoint a royal commission for the purpose of looking into our financial condition; that it will examine and reassess our financial position to learn whether the subsidies from the Government of Canada are large enough or not; whether we can

go on for more years into the future with the same subsidies, or whether these would need to be increased. As, therefore, our whole financial position would be reviewed and reassessed within eight years of union, I hold that at the least we must see our way clear to balancing our books and breaking even for eight years at least.... Therefore my figures are based upon a period of eight years, and I have gone a step further; I have taken the eight years and divided them in two, having therefore two periods of four years each, and the house will see, as we go on, the reason why.

I hope after that preliminary explanation that the members have their copies of the current estimates before them, because this whole document now on your desks of probable expenditures by the Government of Newfoundland as a province is based upon the actual estimates of the present government for the present fiscal year, which ends on March 31, 1948. In my memo, on the first page, it states, no. 1 — Mr. Chairman, I notice that many of the members have not got the current estimates before them. I believe in the Secretary's office there is a pile of them, and it might be a good idea if they were secured and distributed to the members so that they could follow the thing a little more intelligently than they could do otherwise.

**Mr. Chairman** There are not enough.

**Mr. Smallwood** If there are not quite enough to go round it might be possible to share between two or three members, considering that some members already have copies of it here now.

As the first page is rather simple, I will proceed with it even while we are waiting.... In the estimates you pass by everything until you come to item 3, namely "War loan of \$1.5 million at 3.75% interest, \$56,250 a year interest on that loan", "Victory loan...total interest per year \$265,000." That of course refers to the public debt that would be Newfoundland's public debt if we became a province. The terms say that Canada would take over the external public debt; the internal public debt, that is, what the Government of Newfoundland owes the people of Newfoundland, the Government of Newfoundland would hold on to, and to pay the interest on that each year would be \$265,000. Then, "Sinking and redemption funds on the first war loan of \$1.5 million... grand total per year of \$376,250." That