

favoured the idea of one government for the whole of Canada, had to be satisfied with what we know as confederation or no union at all. However, confederation as consummated in 1867 left no doubt as to where the sovereignty of Canada lay, and as Sir Wilfred Laurier stated, "Every reasonable precaution seems to have been taken against leaving behind us any reversionary legacies of sovereign state rights as they have in the United States to stir up strife and discord among our children."

The relationships between the provincial legislatures and the Dominion government were defined by the division of powers actually written into the British North America Act and later modified by what the courts have since said, the words which describe what those powers really mean. The strength or weakness of the Canadian government relative to the provincial governments has depended in large measure upon political, fiscal, economic and social considerations. The powers of the Dominion government as laid down in the British North America Act include these high functions and sovereign powers by which general principles and uniformity of legislation may be secured in those questions that are of common import to all the provinces, to quote Lord Carnarvon when he introduced the act in the House of Lords. In other words, power was given to deal with all matters of a public and general character, as for example the making of treaties or the making of war, and laws relative to taxation in general. And to the provinces was given those powers which allowed them to deal with all matters of a merely local or private nature in the province.

If you have had the opportunity, gentlemen, to read the British North America Act you will find in one section that the Dominion government is given the power to raise money *by any mode or system of taxation*. And, if you turn to another section you will find that the provinces are given the exclusive right to make laws in relation to direct taxation within the province in order to raise revenue for provincial purposes. This is very important to remember, for it is these two sections which all down through the past 82 years have caused so much friction in dominion-provincial relationships, and which on more than one occasion have nearly wrecked the union. In other words, during all these years the proper

division of power as between the Dominion government and the provincial legislatures has been a continuous source of haggling, and caused a breakdown in the whole federal system around 1937.

A province which hitherto has run and *financed* its own affairs, on entering into such a union must of necessity lose some of its tax sources to the central, or in this case the Dominion government, just as also it will be able to rid itself of some of the costs of government. Take ourselves, for example; if we entered into confederation tomorrow our treasury would lose \$10.5 million on account of income tax and about \$18 million in customs and excise. On the other hand, we might rid ourselves of the railway deficits, the servicing of our deficit, and a few other charges. In other words, by relinquishing \$28.5 million we no longer have to worry about these services as a government. But as individuals we would still have to contribute to their costs. For instance, on all those articles we import, other than from Canada, we shall still be charged duty, and the Dominion government would collect from us about \$15 million in income tax instead of the \$10 million we now pay.

But let us get back to Nova Scotia in 1865. Whilst still a separate province in 1864, Nova Scotia had a revenue of \$1.3 million and an expenditure of \$1,222,355, leaving a surplus of \$77,645. The question was how much of the \$1.3 million revenue would still remain to the local legislature after confederation. At that time over 90% of Nova Scotia's taxation revenue came from customs duties, and this, on going into confederation, she would have to turn over to the Dominion government. Actually it was found that if Nova Scotia entered confederation only \$107,000 could be expected to be collected by her from the local revenue sources still reserved. It was found that after she would go into confederation her local expenditures would be \$667,000. Now this would leave a deficit of \$560,000. How was the deficit to be made up? There were various methods devised: (1) the use of the power of direct taxation; (2) concession of the right of the province to use indirect taxation; (3) divide Nova Scotia into municipalities and let them bear much of the burden with regard to government roads, health, etc. Up to this time town councils were almost unknown in Nova