

for modification or addition."

Mr. Bailey I just wish to deal with the financial side of it, Mr. Chairman. Coming back to this assessment of Newfoundland's financial position. When we accept this in this Convention, and the eight years have passed, and we give that royal commission the right to come here and to help us set up, it says here, "...having regard to capacity to pay, than that of the Maritime Provinces." Yet Mr. Smallwood turns around and says it's none of Canada's business how we get our taxes. We must get them directly.

Mr. Chairman Under section 92 neither is it any of their business.

Mr. Bailey And yet Mr. Smallwood can tell me. Supposing for instance that we have got to find say \$30 million, how are we going to get it without putting in the same form of taxation that the other nine provinces of Canada put in? I will be happy to listen to him. This is the place I am in, and that is what I want the people to know. If we go on having extra social services, and extra responsibilities I want the people of Newfoundland to know, no beating around the bush or anything at all; I want you to come out clear, that when that royal commission comes down here and lays the case before us, does that mean we are going to have the same form of taxes as they have in the Maritime Provinces? I don't see any way out. If a delegate to this Convention can get up here and tell me how we, in this island, are going to be taxed after we lose the way we are collecting taxes today, I will be perfectly satisfied to listen, and I don't know but that I will go along and work for confederation.

Mr. Smallwood Mr. Chairman, that's a very good point raised by Mr. Bailey, and it's a point that deserves a straightforward and honest answer. He directed your attention to clause 14...

What does that mean? That is an extremely important clause in these terms. It is sometimes said that confederation for Newfoundland would be a leap in the dark. In certain respects it would be and in certain respects it would not. Certain things are laid down, and are as plain as the day. But in other respects it would be a leap in the dark, and one respect in which confederation would be a leap in the dark is this very matter, sir, that we are discussing here today, and ever since Monday. That is, could the government of the province pay its way?.... Any government can

pay its way. There need never have been a year since 1920, when the bad times hit us, when the government needed to fail to balance its budget. A government can always pay its way. It has three ways to do it: 1. To stick on more taxes. 2. To cut down on the public services. 3. To do both, to put on more taxes and give the people less service. Now these are three ways, and either one of them will enable any government to pay its way, but that's not what we mean. As a province we have got to have our own government, and can that government pay its way without putting too heavy a burden of taxation on the people, and without cutting down on the public services? It is impossible to answer that with finality, and when I came in here on Monday I brought in what I called "estimates". I admit frankly that I am not a prophet, and that I cannot see through a stone wall further than any other man.... I have brought in what I honestly and sincerely consider to be conservative estimates or guesses, if you like, showing that we can do that, but we may not. I will be man enough to admit that if in any one of these eight years the government should spend more in that year or take in less revenue in that year than I show, then in that year we have to dip into our surplus to pay the debts. Why should I try to hide that or refuse to admit it?....

Now in view of the difficulty of predicting just what will happen financially to this government if we become a province ... the Government of Canada says, "We know what you are up against. You can't forecast it exactly. Tell you what we will do; we will set up a royal commission" — as they have done before in other provinces. They set up the royal commission headed by Sir Andrew Ray Duncan in the three Maritime Provinces in 1926. They set up another one headed by Mr. Justice White, and so you get the Duncan-White Award. These royal commissions admitted that the Maritime Provinces could not pay their way and give the people proper service, so the Duncan-White Award recommended that they pay more to the Maritime Provinces, and they did, and they are still doing it. So they said, "We will appoint a royal commission to look into your finances, and we will do that inside of eight years after you become a province". Now what do they do? When that royal commission lands in St. John's, what is their job? To look into our finances. What for? To see what? To see whether