

system of taxation, my honorable friends opposite would have had a much better chance of success in blowing the bellows of agitation than they now have. (Laughter, and cheers.) The objection, moreover, was not confined to Lower Canada—all the Lower Provinces stood in exactly the same position. They have not a municipal system such as we have, discharging many of the functions of government; but their General Government performs all the duties which in Upper Canada devolve upon our municipal councils, as well as upon Parliament. If then the Lower Provinces had been asked to maintain their customs duties for federal purposes, and to impose on themselves by the same act direct taxation for all their local purposes, the chances of carrying the scheme of union would have been greatly lessened. (Hear, hear.) But I apprehend that if we did not succeed in putting this matter on the footing that would have been the best, at least we did the next best thing. Two courses were open to us—either to surrender to the local governments some source of indirect revenue, some tax which the General Government proposed to retain,—or collect the money by the federal machinery, and distribute it to the local governments for local purposes. And we decided in favor of the latter. We asked the representatives of the different governments to estimate how much they would require after the inauguration of the federal system to carry on their local machinery. As at first presented to us, the annual sum required for all the provinces was something like five millions of dollars—an amount that could not possibly have been allotted. The great trouble was that some of the governments are vastly more expensive than others—extensive countries, with sparse populations, necessarily requiring more money per head for local government than countries more densely populated. But as any grant given from the common chest, for local purposes, to one province, must be extended to all, on the basis of population, it follows that for every \$1,000 given, for example, to New Brunswick, we must give over \$1,300 to Nova Scotia, \$4,000 to Lower Canada, and \$6,000 to Upper Canada—thereby drawing from the federal exchequer much larger sums than these provinces needed for local purposes. The course we adopted then was this: We formed a committee of Finance Ministers and made each of them go over his list of expenditures, lopping off all unnecessary services and cutting down every item to the lowest possible figure. By this means we succeeded in re-

ducing the total annual subsidy required for local government to the sum of \$2,630,000—of which Lower Canada will receive annually \$880,000, and Upper Canada \$1,120,000. But it is said that in addition to her eighty cents per head under this arrangement, New Brunswick is to receive an extra grant from the federal chest of \$63,000 annually for ten years. Well, this is perfectly true. After cutting down as I have explained the local expenditures to the lowest mark, it was found that New Brunswick and Newfoundland could not possibly carry on their local governments with the sum per head that would suffice for all the rest. New Brunswick imperatively required \$63,000 per annum beyond her share, and we had either to find that sum for her or give up the hope of union. The question then arose, would it not be better to give New Brunswick a special grant of \$63,000 for a limited number of years, so that her local revenues might have time to be developed, rather than increase the subsidy to all the local governments, thereby placing an additional burden on the federal exchequer of over eight hundred thousand dollars per annum? We came unanimously to the conclusion that the extra sum needed by New Brunswick was too small to be allowed to stand in the way of union—we also determined that it would be the height of absurdity to impose a permanent burden on the country of \$800,000 a year, simply to escape a payment of \$63,000 for ten years—and so it came about that New Brunswick got this extra grant—an arrangement which received and receives now my hearty approval. (Hear, hear.) It is only right to say, however, that New Brunswick may possibly be in a position to do without this money. The House is aware that the Federal Government is to assume the debts of the several provinces, each province being entitled to throw upon it a debt of \$25 per head of its population. Should the debt of any province exceed \$25 per head, it is to pay interest on the excess to the federal treasury; but should it fall below \$25 per head, it is to receive interest from the federal treasury on the difference between its actual debt and the debt to which it is entitled. Now, it so happens that the existing debt of New Brunswick is much less than it is entitled to throw on the Federal Government. It is, however, under liability for certain works, which if proceeded with would bring its debt up to the mark of \$25 a head. But if these works are not proceeded with New Brunswick will be entitled to a large