

Interim Supply

provinces a greater share in the development of the Canadian monetary policy.

It was, in my opinion, an excellent suggestion, because it is my contention that fiscal matters especially proceed from a well-established system called the banking system, the Canadian monetary system. There were no fiscal matters before the introduction of the monetary system. Now, all our present difficulties are due to monetary difficulties from which stem all the financial difficulties with which Canada is faced.

Mr. Chairman, on October 31 last, I put in the order paper the following question:

Since 1942, has the Minister of Finance received written notice from the government of the province of Quebec, pursuant to section 23(5) of the agreement signed by both governments on the vacating of certain fields of taxation during the war with a view to denouncing the agreement and, if so, what steps have been taken in this respect, and what agreements are now in force?

And as reported on page 5148 of *Hansard* of November 27, 1963, the parliamentary secretary to the Minister of Finance (Mr. Benson), replied as follows:

No. Under section 23(1) of the wartime tax agreement, it was provided that the agreement would terminate on the last day of the fiscal year of the province ending nearest to the thirty first day of December in the first calendar year which began after the date of cessation of hostilities. As order in council P.C. 7409 dated 21st December 1945 fixed the 2nd September 1945 as the date of the cessation of hostilities, the wartime tax agreement automatically ceased on March 31, 1947, and Quebec was free to resume the imposition of a provincial tax on individual and corporation incomes. As Quebec did not enter into subsequent tax rental agreements, that province has retained its freedom to tax individual and corporation incomes.

Now, I contend that the federal government subsequently, lied shamelessly to the Canadian provinces when it said that Quebec could not resort to direct taxation and to personal income tax since Ottawa already occupied this taxation field. Quebec lies or Ottawa lies, when we are told that the province of Quebec was free after March 31, 1947, to recover her whole rights, in taking away from the federal government this field of taxation, since, at that time, it had not used its rights to resort to personal income tax. As the province of Quebec concluded no agreement in the taxation field, it had kept its freedom to resort to personal income tax and corporation income tax.

On several occasions, we heard statements to the effect that Quebec, as the other provinces, is entirely free to levy a personal income tax or a corporation income tax. However, the federal government never agreed to quit that taxation field, so that we had, in Quebec, double taxation or double income tax. In fact, several other provinces also had to resort to this double taxation.

[Mr. Caouette.]

Now, it is not at all interesting for a province to resort to such double taxation, which is not very popular among the Canadian taxpayers, no matter in which province they happen to live.

Mr. Chairman, this answer from the Department of Finance establishes clearly that the provinces are free to recover their rights, which means that the federal government is ready to quit those taxation fields. That is true, but nevertheless I doubt the truth of that statement. For is it not a fact that the province of Quebec has had to impose double taxation? And now, once again we are faced with this taxation problem.

The federal government and the provinces set equalization payments per capita in Canada. As a matter of fact, in certain areas of this country, the payment per capita will amount to \$7, in another, \$1.31, in still another, \$3 or \$5, and so on and so forth.

Equalization payments are established per capita, in somewhat the same way domestic animals are bought or sold on both domestic or foreign markets.

Mr. Chairman, I said a moment ago and I will say it again; the very foundation of our taxation system is a defective monetary system under which this country has been and is still stagnating, saddled as it is with exorbitant interests that it is incapable of paying, not only at the national level but also at the provincial, municipal and school levels.

I base my case upon solid facts and not upon imaginary figures which nobody could prove. I refer to the Canada Year Book for 1962, and more particularly to page 1087, where we find the following information on currency and banking:

The Bank of Canada—

That very bank about which we talk so much, not only in the house but also—and even more so—outside of it, to explain to the Canadian people the part that is played in our monetary system by the Bank of Canada.

The Bank of Canada is Canada's central bank. It was incorporated under the Bank of Canada Act in 1934 and commenced operations on March 11, 1935. The Act of Parliament which established the central bank charged it with the responsibility—

Note this, Mr. Chairman:

—the responsibility for regulating "credit and currency in the best interests of the economic life of the nation", and conferred on it certain specific powers for discharging this responsibility. Through the exercise of these powers, the Bank of Canada determines broadly the combined total of the basic forms of Canadian money held by the community—currency outside banks plus deposit balances in chartered bank accounts.

By virtue of the provisions of the Bank of Canada Act, which enable the central bank to increase or decrease the total amount of cash reserves available to the chartered banks as a