

*Interim Supply*

I think the best way to help the provinces is not by the federal government meddling in education but by moving toward the acceptance of the plea put forward by some of the provincial premiers for 25 per cent of the income tax revenue and 25 per cent of the corporation tax revenue. I do not agree with those who went one step further and asked that the provinces be given 100 per cent of the succession duties. I think that if there is any tax which ought to be redistributed over Canada, it is the succession duty tax. These are taxes which are collected from estates accumulated from business done right across the country. When a millionaire or a multimillionaire dies in one part of Canada, the chances are that his fortune has been made from business done all the way from the Atlantic to the Pacific. But in suggesting they be given 25 per cent of the income tax revenue and 25 per cent of the corporation tax revenue, I think the provinces had a good case. It is not enough for the federal government to say it understands the financial implications of giving education a high priority. I think it must recognize now and in subsequent conferences the necessity of providing the provinces with a larger share of the income tax field if the provinces are to discharge their responsibilities in the sphere of education.

I come now to the question of equalization. The Prime Minister said that equalization makes co-operative federalism possible, and I agree. But, surely, the converse is true, and anything which departs from equalization makes co-operative federalism more difficult. The principle of equalization is based on two premises, first, that the government of Canada has some responsibility for those provinces which are less developed and less industrialized than others. Second, that direct taxes are levied on wealth which is earned all over Canada, not necessarily in the province where the wealth is being taxed and, therefore, that some redistribution of direct taxation is fair and just.

The Liberal party during the years has recognized this principle, as I said on Friday—and I do not intend, now, to cover the ground which I covered then. The Prime Minister himself, in a statement in the House of Commons on June 2, 1958 said:

Not only is the principle important but the application of that principle is even more important. On what basis are equalization payments going to be made? As far as this party is concerned we are pledged to equalization on the basis of the per capita yield of the three taxes in the wealthiest province.

The other day I quoted from the book "The Liberal Party" by the Secretary of State. I quote from it again only to draw attention

[Mr. Douglas.]

to two words. It says, at page 125, that during the national Liberal convention of 1958—

—the party pledged itself to alter the basis of equalization payments so that the revenues of all the provinces from income tax and succession duties would be brought up to the level of the province having the highest per capita revenue.

This principle was reaffirmed, according to the same author, by the national Liberal rally in 1961. The Liberal campaign literature said the same thing:

The Liberal party believes that in order to ensure a basic equality of provincial services between all parts of Canada, all provinces should receive an equal revenue per head of population from the tax fields shared between the two levels of government so that all Canadian citizens will benefit equally.

There can be no doubt that this was a pledge. It was not just a preference, not just something which could be set aside if, after listening to the various provinces expressing their opinions, some other formula could be determined. This was a pledge made by the Liberal party, by its leader and by its chief author. It was a pledge to the people of Canada that a Liberal government would introduce equalization in a specific way by ensuring to each province the equivalent of the per capita income from the three tax fields, income tax, corporation tax and succession duties, enjoyed by the wealthiest province in Canada.

It is all very well to be prepared to listen, but there is a difference between flexibility and flabbiness. Here was a fixed principle to which the Liberal party had committed itself, a promise upon which they had been elected. I must say that after listening to the Prime Minister's explanation this afternoon I am far from satisfied as to the reasons why the government discarded a commitment it had made to the people of Canada in favour of a formula which departs from that principle of equalization. It is not merely that the new formula takes the average of the two top provinces rather than the figures of the top province. It is more important than that. It promised to take the per capita income in the top province from all three fields of revenue, income tax, corporation tax, and succession duties. The government has not done that. It has introduced the factor of resource revenue. There was no good reason for doing so. There was no more reason for including resource revenue than there would have been for including revenue from sales tax or consumer taxes or anything else of that kind.

If the government wishes to include other provincial revenue, let it include revenue from all sources. It is unfair to take one which affects some provinces more than others and which brings in many factors