

### *Federal-Provincial Fiscal Arrangements*

age of federal expenditures, from 28.1 to 25.1, and as a percentage of the GNP from 4.5 to 4.4. During the same period, federal expenditures, exclusive of transfer payments to the provinces, have increased from 13.4 to 16.2 per cent of the gross national product.

I take these figures from the third quarter 1976 national income and expenditure accounts published this month by Statistics Canada—a source, I believe, that will be recognized by the government as authoritative. So let us hear no more of the pretence enunciated by the Minister of Finance last April that this provision—the GNP escalator or cash payments—was needed to check the extravagances of the provinces. Extravagant they may have been in the past in the administration of these programs, but as these figures indicate, since 1971 the provinces have made a real effort to bring these programs under control, an effort that those on the front benches opposite would have done well to imitate in their areas of responsibility.

However, if the federal government is in a mood to exercise leadership, may I suggest to them that they missed an opportunity to do so in a positive and constructive way. The opportunity to which I refer was the failure to explore with the provinces the possibility of an interprovincial agreement to ensure unimpeded mobility between provinces for students seeking post-secondary education. Such portability has always been—and, I am pleased to see, will continue to be—a feature of the hospital insurance and medicare programs. I believe it would be a sound contribution to national unity if the provinces could be brought together to work out an agreement which would prohibit discrimination of any kind either in admission or in fees by universities to Canadian students from any province. The negotiation of the arrangements we have before us provided an excellent opportunity which was allowed to slip by.

But beyond these defects in what the government is proposing, I take very serious exception to the way that this agreement was worked out with the provinces. What was involved in the negotiations that took place? Supposedly, the more effective financing and administration of four vital national programs. That was, and is, a matter of common interest to the federal government and the provincial governments. Yet from the outset the Minister of Finance seemed to feel he had to bludgeon his way through to a settlement. He began the process last April by virtually threatening to impose a settlement on his provincial colleagues with respect to equalization and the revenue guarantee which he knew was patently unacceptable to them.

● (1530)

The predictable effect of this hostile approach was to make the provinces equally adamant concerning their interests. Indeed, by the final stages of the negotiations the Minister of Finance had performed the remarkable feat of uniting the provinces for the first time in memory—but uniting them, I regret to add, against, not with, the government of Canada. Thus, as negotiations proceeded, even though the minister

[Miss MacDonald.]

modified his proposals to make them more equitable and acceptable to the provinces, because the atmosphere had already been poisoned no sense of building a workable consensus developed. Rather, the provinces were made to feel that they were wringing essential concessions from the federal government against its will.

One of the most famous of Aesop's fables is that of the competition between the wind and the sun to get a traveller to remove his cloak. Hon. members will remember that the wind tried first. His approach was to blow the traveller's cloak off his back with his strongest blast, but the harder he blew, the more tightly the traveller held on to his cloak. When the sun's turn came, it simply beat down on the traveller, and when he grew warm enough he took the cloak off voluntarily. Throughout these negotiations the Minister of Finance used the tactics of the wind rather than those of the sun.

He did accomplish his purpose; we do have an agreement before us. But had he chosen the sunny way and had he begun by exploring the potential for consensus, rather than immediately polarizing the negotiations into a test of will, I believe he would have reached a settlement sooner, that he would have received more assistance, and less resistance, from the provinces, and that the exercise would have reduced the mistrust and relaxed some of the tensions which have marred federal-provincial relations in recent years.

My leader referred on Friday to the period of creative federalism inaugurated by the right hon. member for Prince Albert (Mr. Diefenbaker) and to the co-operative federalism of the late right hon. Lester B. Pearson. Unfortunately, the hallmark of this government will be neither creative nor co-operative, but combative federalism.

**Some hon. Members:** Hear, hear!

**Miss MacDonald:** We have a settlement of these arrangements because the will to make federalism work in this country is very strong. It is strong at both the federal and the provincial level. What the present government seems to lack is the belief that that will exists in anybody else other than itself. Feeling that it is surrounded by hostile forces, it goes into negotiations with a chip firmly in place on its shoulder. But to inspire trust one must first have the self-assurance to trust others. I am not naive enough to believe that if a conciliatory approach was adopted, every federal-provincial conference would become a love-in. There are always real conflicts of interest which can only be reconciled by hard bargaining. However, that bargaining would be far more productive if the provinces and the federal government brought to the negotiations a realization that their common purpose is to reach acceptable settlements and not to find out who will knuckle under to whom.

It is all too easy to see our problem in terms of conflict between the federal government and the provincial governments. All the attention is focused on the arenas of federal-provincial conflicts, the conferences of ministers and first ministers and the adjudication of federal-provincial disputes in the courts. It is my belief that in our concern with issues of this