

their economic security is protected by sound unemployment and other social welfare plans and by the determination of their governments to combat recessions promptly.

Now, who is to give national leadership to this crusade against inflation? I regard this problem of inflation to be of such overriding and cardinal importance that I venture to suggest the need of either a special debate on this subject by honourable senators or the setting up of a special Senate committee to study inflation, a suggestion already advanced by the honourable Leader of the Opposition (Hon. Mr. Macdonald). I would go farther and suggest to the Government the desirability of a special joint committee of both Houses of Parliament on inflation.

Honourable senators, the Speech from the Throne mentions improvements made by the last Parliament in federal-provincial financial relations, which improvements are stated as having had:

—a beneficial effect upon our economy by making it possible for provincial Governments and their municipalities to proceed with greater confidence upon expanded programs of necessary services and works.

These improvements undoubtedly refer to the unilateral and, may one call it, the temporary increase of the provincial share of personal income tax revenues from 10 to 13 per cent.

I am one who believes that the tax distribution formula involved in the basic agreements evolved in 1956 by the former Liberal Governments needs continuing study and revisions to meet new and changing circumstances, after joint consideration by federal and provincial authorities; and I believe that the 3 per cent increase by the last Parliament was a desirable improvement in view of the changed circumstances existing at that time. However, I do not believe that further changes will not be demanded or that they are not necessary. May I be permitted to guess that another federal-provincial conference in 1958 is a distinct possibility?

Furthermore, I believe that the basic general formula for these fiscal arrangements, evolved after the Dominion Provincial Conference of 1956 is sound, not only because it permits an option to provinces to use a certain adjudicated measure of their direct taxation rights themselves—or to rent them to the federal Government, thus avoiding double taxation problems—but because inherent in this general formula are the two key principles of equalization and stabilization. The Liberal Party believes that the time has now come when the more specific definition—and I am going to keep repeating the word “definition” often—of equalization should result in equalization payments up to the

per capita tax return level of the most wealthy province. I am aware of press reports of statements by Government spokesmen that equal treatment would be accorded to all provinces, but the definitive application of the specific formula of equality could in fact bring relative inequality and sequential relative discrimination to the less prosperous, less highly industrialized provinces. I regard it as crucially important that the Government recognize the importance of making certain that the definition and specific application of the equalization principle not only bring no dilution or diminution of the present level of redistribution through equalization, but that it should revise it upward to the tax revenue yield of the three standard taxes—personal, corporation, succession duty—of the most prosperous of our provinces, at present the province of Ontario.

Before leaving this particular problem, it may be of interest to honourable senators to indicate that according to the one year only 13-9-50 formula which resulted from the present Government's legislation of the last session, the estimated Province of Manitoba yield of approximately \$20.4 million from the three direct taxes, when divided by 860,000 people, gives a *per capita* yield of \$23.78. Note how this compares to an estimated yield of the three standard taxes in Ontario of approximately \$42.39 *per capita*. Present agreements, to bring special equalization payments up to approximately \$41.50—the average of the two wealthiest provinces, the basis of the 1956 agreements—would bring Manitoba's equalization payments to approximately \$15 million; and according to the new Liberal formula—equal to the yield of the wealthiest province—to \$16 million. Note, please, the importance of the definition of equalization. Equalization to the average of four wealthiest provinces—and there has been a lot of talk about that particular definition—would decrease this payment to Manitoba to \$10.8 million; and equalization to a national average would reduce this by an additional \$3 million, that is, to approximately \$7.5 million. So that to the people of Manitoba the definition of equalization means the difference that is anywhere from \$7 million to more or less whatever the definition may be. Similar calculations could be made to show that the specific definition of equalization would have discriminatory effects upon equalization payments to Saskatchewan, Alberta, Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick and Quebec.

I am going to skip by the problem of stabilization, which involves a guarantee of a 95 per cent floor—and honourable senators know how important that is in a period of decreasing revenues during an economic