

*Federal-Provincial Fiscal Arrangements*

the principle of the equalization formula. I think there are very few of us who would not say that this country has survived because, in fact, we have worked out such a formula. If survival is the test, then to some extent we have been successful. However, if satisfaction is the test, we have been far from successful because what we have had in fact is survival without satisfaction. There is a great deal of dissatisfaction across this country with the relationship between the provincial and the federal governments and the relationships between various provinces. I would like to suggest to you that the government has not put enough effort into the idea of cost-sharing or the sharing of revenues between one part of Canada and another, nor have they used their imagination in a way that might have resolved some of the difficulties we now face.

There are serious strains on confederation. I think it is important at this time to take a look at some of these strains and to treat some of them seriously. I know the government is prone to dismiss with certain glib phrases the attitudes of certain premiers with whom they disagree. I want to take all the criticisms in as serious a vein as I can, to see to what extent those criticisms are valid and to what extent we can do something about them.

Recently, the Minister of Finance (Mr. Turner) alluded to the proposal of the Premier of British Columbia. I tend to agree with the Minister of Finance that on the surface the proposal looks very alluring, but in fact it would be disastrous to the poor people of Canada and certainly to the poorer parts of this nation. I am prepared to say that the premier has the best intentions in the world. It would be different if he said that, on top of the money we are now devoting to equalization, we should devote additional moneys to a kind of guaranteed annual income. This would make some sense. But to say "we will do this instead of" does a terrible disservice to the people he proposes to help.

Perhaps this is an argument that did not occur to the Minister of Finance because he is a Liberal and does not think along these lines. What has to be recalled is that the equalization payments which go to the provinces enable the provinces to provide public services, the chief beneficiaries of which are the poor of those provinces. The important distinction is that, even if the transfers to individuals were similar to the transfers to the provinces,—which the Minister of Finance pointed out they would not be—the transfers on a personal basis are largely for consumer goods while the transfers to provinces are largely for public goods such as hospitals, schools and transportation. Not only that, but many of these programs, assuming that they could be bought privately, would not be as efficient as those provided publicly and universally.

We went through this argument with medical services and hospitalization. I think our experience in Canada has proven conclusively that if we offer universal programs of public merit they can be provided at a lower cost and they are more readily accessible to everyone. On the whole, it has been those public programs that have most helped the poor of this country. I must say that in many ways we have not really narrowed the gap between the rich and the poor in the area of actual income distribution, so the only real successes we have had in narrowing the gap has been

in the level of public services we have provided that are equally accessible to the rich and to the poor. Surely, the premier of a province would not dismiss this kind of advantage too easily. Granted that he wants to improve the system, I think this is something he has to consider very carefully.

I said that I wanted to treat very seriously the proposals that come from the province of British Columbia. Perhaps there is an added reason today to treat these proposals seriously, since we are all wearing lovely flowers that the B.C. members have so kindly provided for those of us who are here today. We are, therefore, all friendly and well disposed toward the great province of B.C. British Columbia, which is a resource rich province, makes the argument that it is taxing its resource industries to the hilt. Of course, my colleagues in the legislature would not agree with that. They do not think B.C. is really taxing those resource industries as adequately as they should be taxed.

Nevertheless, British Columbia argues that it is taxing the resource industries at a level which is not being matched in some of the provinces that are receiving assistance under this equalization formula. The Government of British Columbia says, we do not mind paying equalization, we do not mind transfer payments from a province like ours if in fact it is richer than the recipient, but we expect you will also tax your resource industries at the same level. They would like to see those provinces which are receiving equalization grants taxing the resource industries at the same level as those provinces which are providing funds for equalization. I think that is a valid argument.

I think the argument is overstated because, in fact, some of the provinces at which the premier of B.C. pointed his finger do not possess, in my view, resources as rich or as accessible as those in his own province. But even accepting the overstatement, which does not come as a surprise from that source, there is an element of truth in the argument. I think the federal government has contributed to this feeling of alienation and has fostered the feeling against equalization because it has not acted. I want to point out the number of areas in which it has not acted.

Recently, we have had a debate on the new corporate income tax legislation, and we argued over and over again that all industry should be taxed equally, that favouritism not be shown in the tax system to the resource oriented industries. That argument fell on deaf ears on the government side, with the result an entire area is opened up for provinces to play games with resource industries. This is something we could have avoided had we passed an intelligent, sensible bill that dealt with this problem. These criticisms keep cropping up, criticisms we might have avoided. This is why I suggested in my opening remarks that we could have made some considerable improvement in the attitude towards sharing and towards fiscal transfers between provinces.

• (1710)

The whole question of regional grants is having a distorting influence on the entire picture. Today, some of my colleagues raised some very disturbing questions about these grants, how they were being given out and to whom they were being given out. When the idea of regional