

the authority to legislate on unemployment insurance, because it was reasoned that employment and unemployment were the result of national and international forces only within the competence of a federal government. They were beyond the influence of local forces and therefore beyond the competence of provincial governments. They said, "Give us the responsibility for regulating unemployment insurance because we are the ones who have the overall authority on the economic levers." That still prevails, but today the government says, "We do not intend to take our responsibility and pick up a cost which should be picked up when the government makes mistakes and fails to produce full employment." That is their philosophy.

Let us consider what is happening today in Canada. Government policy is affecting unemployment in all parts of the country—for example, in Summerside. A direct government decision is affecting Summerside. Unemployment will rise, unemployment insurance payments will rise, and employers and employees who have had absolutely no influence on the decision which produced that unemployment will pay the shot. Take the fisheries in Atlantic Canada. What is happening is the result of government policy. But the resulting unemployment will not in any way be paid for, or absorbed by, government contributions.

In 1970 the government put out a white paper on unemployment insurance. The following year it agreed to pay regionally extended unemployment insurance benefits when the unemployment rate was above 4 per cent. That was the first time the payments were directly related to the level of unemployment. In the 1970 report there is a justification for that decision. It is worth repeating because it is very sound and still applies.

The white paper was put out by Mr. Mackasey, who was Minister of Labour at the time.

**Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations):** It happened to Mackenzie King once also that he lost his place.

**Senator MacEachen:** What is that?

**Senator Murray:** He could not find his place. He discovered that he had left his documents in his office. He simply bowed to the Speaker, went to his office, selected the document and came back with it, while the House waited for him.

**Senator Frith:** And we would do the same, sir.

**An Hon. Senator:** Very sensible.

**Senator MacEachen:** I have not left the document in my office; I have it here.

**Senator Doody:** We would certainly wait for you if you had forgotten it.

**Senator MacEachen:** I found the quotation, which I should like to put on the record because it illustrates why the government of the day did pick up a portion of the costs of unemployment.

The white paper states:

[Senator MacEachen.]

... it (the government) is also ready to assume the cost of extra unemployment insurance benefits when the national unemployment rate exceeds 4 per cent or when regional unemployment is over 4 per cent and exceeds the national average by more than one per cent.

That feature has been retained.

The white paper then goes on to state:

In looking at the problems of unemployment it becomes clear that it is the federal government which must continue to play a vital role in their solution. In a recent paper on the constitution entitled "Income Security and Social Services," the government outlined its views as follows:

The case for exclusive federal powers over unemployment insurance lies in the nature and the source of the forces which give rise to unemployment, and hence the need for unemployment insurance and the capacity of governments to deal with these forces.

It is generally accepted that general unemployment is the product of a complexity of economic forces which are national and international in character. It rarely can be said to be the consequence of purely local forces.

Moreover, the provincial and local governments cannot by themselves bring under control the forces that cause unemployment; to do so requires the full panoply of economic powers associated with a nation—: fiscal, monetary, debt management, trade, and balance of payments policies, and indeed selective economic measures.

Even these, to be fully effective, must be complemented by international and economic arrangements. The viability of unemployment insurance, in other words, depends upon the successful use by the federal government of these instruments of economic policy, if they fall under federal jurisdiction, so should unemployment insurance.

The argument is advanced further:

The second reason for federal jurisdiction in this area lies in the uneven costs of unemployment insurance, as between the provinces. Certain provinces suffer from higher levels of unemployment than do others, with the result that payments in these provinces tend to be relatively higher, and contributions to the unemployment fund from them to be relatively lower.

In the same way that it is clear that the federal government must tackle unemployment, so it is clear that its policies and programs to solve unemployment and other related problems must be highly coordinated if social development programs for Canada in the 70's are to be improved.

That was the reason why the federal government entered into the program and paid into it. The reasons are very solid. It is why virtually every witness who came before the committee, as I mentioned, expressed concern about the withdrawal of the federal government. Many feared that the decision was taken