

aucun changement à cette politique. Un large éventail de pays, y inclus les pays membres de l'Euratom, a accepté les exigences canadiennes et a paraphé des ententes sur la coopération nucléaire. Par ailleurs, si le Canada n'avait pas une telle politique demandant à nos partenaires commerciaux de s'engager formellement à ne pas se munir d'armes nucléaires, le public canadien exigerait fort probablement que le Canada mette un terme à toutes ses exportations.

#### FINANCING A FEDERAL STATE

A report published this year by the Economic Council of Canada has pointed out that one of the oddities about the federal situation in modern Canada is that the federal government, "primus inter pares" in its political relations with provincial governments, finds itself economically poorer than some of the provinces. The report goes on to note that Ottawa endures a large and persistent deficit while all the provinces taken together enjoy a surplus position.

The complex and massive fiscal relationships between Ottawa and the provinces involve the annual transfer of many billions of dollars in cash from the federal government to the provinces. In 1980-1981, the sum transferred amounted to \$13 billion, which accounted for 20 percent of federal expenditures for that year. While these funds were important for all provinces, they were particularly significant for those in the Atlantic region where they represented as much as 50 percent of total revenues. The transactions are organized under the framework of the Fiscal Arrangement Act, which consists of three major elements: the Equalization Programme and the Established Programmes Financing which between them account for \$10 billion of the \$13 billion transferred last year, and the Tax Collection Agreement between the Federal and Provincial Governments.

Canada's programme of federal payments under the Equalization Programme to the "have-not" provinces has been described as the glue that holds the nation together. The fundamental goal of the programme is to ensure that all provinces have the opportunity to provide comparable levels of public services to their citizens at reasonable levels of taxation. The Council's report notes that difficulties in regional balance have arisen due to the substantial increase in revenues from non-renewable resources earned by the western provinces since 1973. These increases did not accrue to the same extent to the federal government which, however, remained bound to make large disbursements to the "have-not" provinces through the Equalization Programme.

Established Programmes Financing is the second element of the Fiscal Arrangements Act. During the post-war period a broad national system of health care and post-secondary education grew up with substantial financial support from the federal government. Up to 1977, Ottawa paid for approximately 50 percent of provincial operating costs for post-secondary education and for insured hospital and medical care services which complied with conditions laid down by the federal authorities. Over an extended period of time the provinces chafed under what they regarded as the rigid requirements they were obliged to meet in order to qualify for the sharing of health and education costs. The federal government, on the other hand, became increasingly concerned about its inabil-