

Interim Supply

discharge its constitutional responsibility. Undoubtedly the two pillars on which confederation is built are that, on the one hand, the provinces, and on the other hand the federal government, shall each have the revenues which they require to discharge responsibilities allocated to them by the constitution. It stands to reason that they cannot discharge all the responsibilities to the full extent they want, that this will be limited by the amount of money available at both levels of government. Therefore, the constant problem of federal-provincial relations is to try to steer a fair and even course between what part of the national revenue goes to the provinces to look after their needs and what part goes to the federal government.

The provinces have faced for the last 50 years a problem which has been growing, namely that the fields of responsibility allocated to them have been enlarging at an amazing rate, particularly education, although health and welfare, have not been far behind. The provinces have not had the additional sources of revenue with which to meet those responsibilities. It is true that ever since the Rowell-Sirois report there has been some improvement. The figures which were read this evening by the Leader of the Opposition indicate that in recent years the provinces have been given additional sources of revenue, and certainly they need them, and they still need more. At the same time it has to be recognized that the federal government requires revenues to carry out its responsibilities. When speakers, such as the last, say that if the provinces were given all the direct taxes they would be able to solve their own problems, I am afraid they overlook two facts. The first is that many of the provinces could not meet their constitutional responsibilities if the direct taxes were restored to them. Second, much of the income derived from these tax fields is collected from wealth that is earned all over Canada, and the province in which the taxes are collected really has no claim upon all of that tax revenue. So that the real problem in Canada is how to allocate these direct tax fields fairly as between federal and provincial governments.

We are never going to be able to meet all the needs of the federal government and the provinces unless we can very considerably increase the total wealth production of Canada. That is one of the reasons the federal government must retain some of its fiscal powers and some of its shared programs, because it is responsible for stimulating the economy. If we had full production in Canada and no unemployment, it is estimated that we could increase our gross national product by \$4 billion per annum. This would provide a much larger pie to divide up between the

federal and provincial governments. The transfer of payments, the control of investment, the ability to raise and lower taxes wherever this will have the best effect on the economy, are some things which we feel the federal government must retain.

The Prime Minister said this afternoon that there was a need for a complete review of fiscal relations, and undoubtedly this is true. But I want to point out that we have been saying this now for years. There has not been a complete review since the Rowell-Sirois commission made its report, and we have steadily moved away from almost all the recommendations made in that report. The Prime Minister says that these fiscal relations will have to be decided, not on the basis of unilateral decisions but on the basis of consultation. With this all of us agree. Consultation is the very essence of a federal-provincial system. But if we are going to have consultation it seems to me that we must set up some machinery to make consultation effective. Just talking about consultation does not bring it about. The Prime Minister suggested that a liaison secretariat may be set up. I hope it is and that it will work. Personally I have my doubts, but it is worth trying. I think eventually it will be necessary to set up a department of federal-provincial relations in the government of Canada, with a similar minister in each province. I think we shall find it in our interests to hold an annual conference between premiers and the Prime Minister to deal with these matters. I cannot understand why the Prime Minister does not appoint the premiers members of the privy council and bring them periodically into the privy council to review some of the federal problems so that they would raise their sights and see things from a federal as well as a provincial point of view.

The Prime Minister said the provinces are giving top priority to the problem of financing education. He said, if I took his words down correctly, that the federal government appreciates the financial implications of this priority. Well, the federal government might well do so, because all the data which has been supplied indicates that the demands for education are likely to be doubled and trebled over the next few years and that the provinces and municipalities will not be able to meet the additional education costs. Trained and educated people are essential if we are to expand our economy, and the problem which faces us is this: People move from province to province in this mobile age and in this period of technology, and when a province spends money educating young Canadians it may be educating young people who are going to spend a great part of their lives in another province. For this reason alone, the federal government has a responsibility.