

the provinces. The federal government, however, has an obligation in these fields to provide leadership and direction in matters of national concern, and to establish national standards providing for interprovincial transferability of benefits.

In the field of general economic and fiscal policy, as contrasted with social policy, jurisdiction and responsibility is, and must remain, with the federal government. The provinces must not try to take over matters within federal jurisdiction, even though they may be of understandable interest to the provinces, and although they may be entitled to ask for consultation.

To avoid conflict here, there must be better arrangements for federal-provincial consultation on all matters of concern. There must be greater mutual understanding and less talk that causes misunderstanding and controversy.

It is also essential that both federal and provincial governments have at their disposal the fiscal and financial means and resources required to discharge their constitutional responsibilities. For that we must rely on the tax structure committee to advise us on how all this can best be done through tax sharing and equalization. Equalization will become increasingly vital to our federal-provincial financial arrangements.

I have indicated the main principles of co-operative federalism. It can only be made to work successfully if two assumptions prove to be valid. The first is that a policy of adjustment to changing requirements and conditions of federalism is accepted on the federal side. The second is that on the side of the provinces, and in particular on the Quebec side, because in some social respects Quebec is not like the other provinces, there is a desire to preserve and strengthen Canadian unity in a federal state.

In regard to the first I think the federal government and the federal parliament has shown its good faith in recent years. As to the second, we have a right to receive some assurance by deed as well as by work. There can be no federal adaptability to provincial requirements successfully accomplished unless there is the conviction that every province wishes to see a strong confederation with a strong central government discharging the powers given to it by the constitution.

If federal compromises in the interest of agreements, which are valid and wise and some have been made which are valid and wise merely increase the appetite for conces-

sions which would not be valid or wise, and if the feeling develops that the federal government will always give way when pressed, then this country is in for serious trouble.

Mr. Starr: What do you mean "if"?

Mr. Pearson: I mean "if". I tell this house that if we do not meet the kind of concession arrangements with provinces that have worked during the last three years, and if we do not meet them in some of the difficulties which we have faced together in working out compromises, the strain on this country will be much greater than it has been in the past. There are two kinds of separatists which constitute a danger to our national future. There are separatists who would have nothing go to Ottawa and there are separatists who would keep everything in Ottawa. In any event, this government does not intend to be caught in a spiral of unilateral and unwise concessions which could destroy our federal system of government.

To avoid these dangers and fears, we must make clear what the essentials of the federal position are, from which we cannot and will not withdraw, if there is to be a Canada at all.

● (8:50 p.m.)

Mr. Grafftey: It is about time.

Mr. Pearson: We should be flexible, but firm, as we have been on this question—

Some hon. Members: Oh, oh.

Mr. Pearson: —and we should say the same thing in Quebec as we say in British Columbia, unlike some of my hon. friends.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: You will win the fiction prize of the year.

Mr. Pearson: Mr. Speaker—

An hon. Member: You flushed when you said that.

Mr. Pearson: I am enjoying these interruptions. They show how seriously hon. gentlemen opposite, or some of them, take this very important subject. It is unfortunate that they bring the manners of the hustings to bear on such an occasion as this.

Mr. Speaker, Canadians today want a strong central government which can speak in the name of Canada, Canada as a whole, but one which will work in close co-operation with strong provincial governments. These Mr. Speaker, are words which I used in Montreal when I tried to speak French three years ago. I said the same thing then.