

debate over the past year and a half. It implements the accord reached between the Prime Minister (Mr. Trudeau) and his provincial colleagues at their conference last December. There were, and are, some differences between the federal government and the provinces. Indeed, there were, and are, some differences among the provinces themselves. This is hardly surprising. Canada is a country not only with divided jurisdiction but with marked regional differences.

**Mr. Munro (Esquimalt-Saanich):** I wish I had said that.

**Mr. Macdonald (Rosedale):** I would like to emphasize that as a result of these particular discussions in so far as transfer payments have been involved in these measures to which the ministers and the premiers concurred and make a special comment on the fact that, particularly in relation to premiers from the so-called well-to-do provinces, not only had the transfer payments not been a subject matter of complaint but, indeed, the proposals have received very generous support. I would have to say in this regard, also, that this has been just another example of the self-reinforcing nature of Canadian federalism and of the responsibilities assumed by certain regions of the country for the welfare and development of other regions. The arrangements arrived at in mid-December are in the very best of traditions which have been involved in the evolution of our federalism.

Much of the discussion and debate over the past year and a half stemmed from obvious differences in perspective. We at the federal level believe that the national government must preserve enough fiscal resources to redistribute income to persons and regions, to stabilize the economy and to continue to help finance the services Canadians in all parts of the country need and deserve. Those at the provincial level have claimed that the federal government has in the past intruded into areas of provincial jurisdiction through the use of its spending power; that the shared-cost programs in particular have distorted provincial expenditure priorities; and that this, in turn, has forced the provinces to provide high-cost programs where equally effective but lower-cost alternatives would serve as well.

Reflecting only a personal viewpoint as a member who was in the House through the decade of the sixties when a number of these significant measures came to their realization, I for one remain unrepentant about the use of the federal spending power for the purpose of providing these better services to Canadians.

**Some hon. Members:** Hear, hear!

**Mr. Macdonald (Rosedale):** I would think there could hardly be any question that without the exercise of the spending power in the areas of health or post-secondary education we could not have had the good national standards in all provinces in the fields of health and education which have been supported in all corners of the House.

**Mr. Broadbent:** Why are you getting out of it all?

#### *Federal-Provincial Fiscal Arrangements*

**Mr. Macdonald (Rosedale):** Because the provinces have asked to be given increasing fiscal room. They have asked that they be given increasing possibility to determine their own priorities in this regard. The financial room is still there, but the greater freedom of decision-making power is also being conferred upon the provinces by the measures that we are putting forward here. I believe that the bill before us represents a remarkable accommodation of the varying interests that were represented at that conference.

Many of the ideas that are incorporated into this bill, such as, for example, those regarding the treatment of shared-cost programs, are not new. They represent the long-standing policy of the federal government, particularly of this administration, to seek effective decentralization of fiscal responsibility to the provinces. I might recall that similar initiatives were taken by the federal government about five years ago. This government has been in the forefront of this search for decentralization for many years.

● (1250)

If there is one striking fact about the evolution of the fiscal relationships between the federal government and the provinces during the past ten or twenty years, it is the increasing degree of fiscal freedom and flexibility which the provinces have achieved. They not only control a much larger share of total government revenues and expenditures than they did ten or twenty years ago, but they have developed a wide array of distinctive and effective programs increasingly under their own control.

The federal government has listened, and responded, to provincial demands for greater autonomy. There has inevitably been some tension between the two levels of government over the proper balance between the centralizing and decentralizing forces which are experienced in any federal state. The bill now before the House will, I believe, contribute significantly to striking an even better balance between these forces at this time in our development. I say "at this time" because there is no right or wrong answer for all time. As social, economic and political conditions change, different fiscal relationships between the federal government and the provinces become appropriate. The present bill is a response to those changing conditions. It represents a major step toward decentralization, especially in the areas of health and post-secondary education.

The cost-sharing formulae for these programs will be replaced by an arrangement under which federal contributions will no longer be tied dollar for dollar to provincial expenditures. Moreover, federal contributions will be in the form of cash payments and the handing over of more income tax room to the provinces. The cash portion will help to maintain national standards and objectives, where appropriate, without detailed auditing of provincial accounts. The greater provincial share of the tax will increase provincial fiscal flexibility.

[*Translation*]

Mr. Speaker, in addition to its brilliant innovations with respect to health and post-secondary education programs, this bill will maintain the financial stability of the provinces