

costs on the provinces, many of which did not initiate these programs. These programs were initiated by the great white god in Ottawa who initiated hospital insurance and medicare and made it impossible for the provinces not to go into those programs. Now the federal government no longer wishes to share the increasing costs in those fields and is putting the risk on the provinces. There are five or six provinces that are in no financial position to take that burden. They did not initiate these programs, but now the risks are on them. Those provinces did not impose inflation.

● (2050)

If we want to know why hospital costs have gone up in the last ten years we should look at this government which overspent us into inflation. It said we were not going to have inflation. It said inflation was imported—it came from Afghanistan, from Pakistan—it came from everywhere but Ottawa. This is the government that has all the financial powers, the fiscal powers, the Bank of Canada, and which controls the currency and the printing presses. But it cannot control inflation, Mr. Speaker.

The provinces were faced with inflation which was not controlled by this government and which was running at 10 per cent or 12 per cent. Hospital costs rose and other costs rose, and the federal government blamed the provinces for the increasing cost of hospitals and so on and said they had to take the risk of it.

What happens if the federal government unleashes another burst of inflation across Canada and these provinces are left with the increasing cost of hospital care and medicare? All this will be put on the provinces that can least afford it. That is one of the weaknesses of this legislation. The federal government would not make a commitment to review the situation in some regular fashion by 1980; it insisted that the changes come by 1977. It is not committed to any review of what happens to these programs by 1980. The Minister of Finance laid down the fiscal tablets like Moses and the provinces either accept them or are buried in the bullrushes. No one should get the idea that the proposals embodied in this legislation were accepted by the provinces. The provinces have not accepted these arrangements willingly—only after a long period of bullyragging and brute pressure by the Minister of Finance and his colleagues. We do not hear any loud hosannas coming from any province as a result of this arrangement, so it has not been accepted willingly.

The fourth weakness is that this is going to leave the weaker provinces squeezed, in a position of financial distress, with inferior services that will remain inferior until some other government is elected that will be more careful about the realities of Canada.

The fifth weakness of these arrangements is the damage that has been done to federal-provincial relations. That cannot be underestimated. When all the statesmen in Ottawa and elsewhere in Canada are considering the difficulties with Quebec and all the rest of it, they might well consider the damage done to the whole structure of Canada in the last

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several years in reaching these arrangements. It is my view that the constitutional crisis in Canada is very likely to be solved much more easily when there is a change of government—

Some hon. Members: Hear, hear!

Mr. Crosbie:—and if the practitioners of strong arm federalism are put out to grass where they belong.

This is a complicated piece of legislation, and these are complicated arrangements. The ordinary person in Canada cannot be expected to understand them. Even we in this House, wise as we are, have difficulty understanding them, so the ordinary person in Canada will not know what this is all about. But over a period of time they can get a general impression. We are dealing with a complicated issue.

What are the provinces complaining about? Some of the changes were made by the federal government without consultation—without “by your leave”. They were told to do it just because the federal government has the fiscal muscle and no one can stand against them. There are at least a dozen instances of this in the last few years. A revenue guarantee was given by this government in 1972 that, as a result of a new income tax act and all the changes in personal income tax and corporate taxes, the provinces would not lose any revenue. The federal government promised to guarantee them against loss of revenue and entered into an agreement for five years in order to get that pledge. The federal government developed its own formula, however, for calculating what the revenue losses would be.

The federal government with its all fiscal experts—hundreds and thousands—ten thousands of them, I suppose—rank upon rank of them, came up with a formula to assess the loss of any province by virtue of the changes in income tax and corporate tax. But these losses far exceeded what the federal mandarins expected. It cost a lot more money than they expected. It cost a lot more money than they anticipated. Without so much as asking the provinces if they agreed, in 1975 the Minister of Finance announced that he was going to change the revenue guarantee—that the formula being used to calculate what the provinces got was going to be changed retroactively for 1974-75. His own formula, the federal formula, was going to be changed without their consent, and in 1977 the whole guarantee program would be terminated and there would be no compensation for that either. It was just an announcement, not even a proposal. The hon. gentleman just made the pronouncement that this was going to happen.

Naturally the ten provincial governments were irritated to be told that something settled several years earlier was to be changed retroactively, in addition to causing losses of hundreds of millions of dollars. This is one example of what went on in reaching this agreement.

As a result of that decision the province of Newfoundland is to lose at least \$8 million per year under the revenue guarantee. There was to be no compensation, although the previous minister of finance—a more warmhearted gentleman who could not stand the company opposite because they were too