

Interim Supply

Ontario \$14,416,000; Manitoba \$7,023,000; Saskatchewan \$2,469,000; Alberta \$1,722,000; British Columbia \$3,921,000.

When this is put on a per capita basis, this is the additional revenue which the provinces will get under this new formula: Newfoundland \$6.83; Prince Edward Island \$5.60; Nova Scotia \$7.60; New Brunswick \$9.05; Quebec \$7.81; Ontario \$2.24; Manitoba \$7.39; Saskatchewan \$2.65; Alberta \$1.23; British Columbia \$2.31.

I say, as one who has long advocated an equalization formula that will help to offset the disadvantages under which some provinces labour, I have always been pleased at the position which the government took with reference to equalization. I was delighted when I read the Prime Minister's statement of last Tuesday when he said:

It is well known that my colleagues and I prefer to see equalization paid up to the level not of the average of all the provinces, as parliament enacted in 1961, but up to the level of the highest.

I cannot help but wonder what has happened between last Tuesday and today. The government, very apparently, has tossed over in part the principle of equalization and has worked out a formula which I can only describe as based on expediency, in order to secure the support of certain parts of this country.

Mr. Winkler: Would the hon. member permit a question?

Mr. Douglas: Yes.

Mr. Winkler: Would he agree that the new formula could be that it is more blessed to give than to receive if the government comes out with the most votes?

Mr. Douglas: I am not trying to read the government's mind. I am simply endeavouring to point out that a very solemn pledge made to the people of Canada has been broken, and that the government has now set its feet along the path away from the principle of equalization.

I have read the debates which took place in the house following the tax sharing arrangements of 1961, in which the previous administration was criticized by the Liberals because it was alleged it had departed in some measure from the principle of equalization. It was at that time, and I can give hon. members the date—June 2, 1958—that the Prime Minister, then the leader of the opposition, stated in clear and categorical terms what the Liberal party would do in establishing a fair and just equalization formula. I am simply rising for the purpose of saying that this equalization formula has been discarded and a new one based on expediency is apparently going to take its place.

[**Mr. Douglas:**]

Having made these remarks about the needs of the provincial governments for increased revenue; having given the unqualified support of this party to equalization, and a fair and just principle of equalization, I say the federal government must have, in our opinion, the fiscal capacity to meet any economic fluctuations which this country may experience. The ability to increase taxes in times of inflation and to reduce them in times of deflation in order to stimulate the economy, is a power which the federal government must have. The federal government must have the power to direct investment, to direct both private and social capital into underdeveloped areas and into surplus labour areas at any time the need arises. It must have the capacity to direct resource development capital into those areas that have not been able to attract private capital for that purpose.

To this end we in this party support the idea of the federal government retaining its fiscal powers. We reject any suggestion that the federal government should be asked to vacate the direct tax field. We also—

The Chairman: I hesitate to interrupt the hon. member but I must inform him that his time has expired.

Mr. Pickersgill: Mr. Chairman, I have the feeling that the hon. gentleman has almost completed his remarks. Perhaps the committee would agree to the hon. gentleman finishing what he has to say.

Mr. Douglas: I think I can complete my remarks in about three minutes, Mr. Chairman, if I may have the indulgence of the committee.

The Chairman: Does the committee agree to the hon. member continuing?

Some hon. Members: Agreed.

Mr. Douglas: The last point I wish to make is this. I believe the federal government must also have the legislative authority to provide certain social security measures where uniformity and portability are necessary. I have in mind particularly such things as unemployment insurance, which we already have, the Canada pension plan and other programs which will undoubtedly arise in the future. A great many plans can and should be worked out in conjunction with the provinces. I agree with the provinces which asked the government at this week's conference to move steadily from conditional grants to unconditional grants. I think there is need for more flexibility in these grants, and that grants should be given for health, for welfare, for technical education, and we should allow the provinces to decide the best way in which these grants can be spent within their particular areas of