

*Income Tax Act*

paint, cosmetics, home appliances and all sorts of items. So it means that Quebeckers would have benefited much more from a 3 per cent tax cut across the board instead of an 8 per cent cut on a few selected items.

There is also another point that I would like to clear up. I refer to the jurisdiction for provincial sales tax. It has been suggested that the federal government has interfered in a provincial field of jurisdiction. It is quite clear to me that the sales tax is exclusively a provincial matter. In my opinion, it could have been said that the federal government was infringing upon a provincial jurisdiction only if it had imposed its own retail sales tax. But that was not the case. We merely said to the provinces: If you reduce your tax by 3 per cent, the federal government will pay 2 per cent of it. The federal government of course will pay it with taxes collected in other fields which come exclusively under its jurisdiction. Moreover, the provinces did not have to accept that proposal. It was subject to one condition only. We told them: If you withdraw your sales tax, we will pay two percentage points. It was a reasonable offer and they were free to accept it or reject it. Besides, nine provinces out of ten accepted it. However, if they rejected the proposal they certainly could not expect the federal government to refund the money which would have then been owing to them.

However, during the three weeks of negotiations which took place with the Minister of Finance, Mr. Parizeau did not say anything, which seemed to imply that he accepted the proposals as did the federal government and the nine other provinces. But once the nine other provinces had accepted the deal, just after that he lets us know that he wants a special status for the state of Quebec. It is impossible for the Government of Canada to agree to such a proposal because if it did the same offer would have had to be made to the nine other provinces and the negotiations would then have been back to square one. In that line of thought, the economic measures considered would no longer be valid.

The Minister of Finance studied the situation and tried to work out a compromise which the other provinces have accepted. He proposed to Mr. Parizeau to reduce his sales tax not by three percentage points as it had been originally intended, but only by two percentage points on all items. This two percentage point sales tax would be reimbursed completely by the federal government without any contribution of any kind from the provincial coffers. Yet out of pride Mr. Parizeau refused the offer and by refusing such an offer paid for entirely by the central government as I have mentioned he is penalizing all Quebeckers who could have benefited from this sales tax rebate of two percentage points, all Quebeckers whether they pay income taxes or not. Besides being intransigent, Mr. Parizeau has the audacity to say that he absolutely wants these \$186 million to be returned to the treasury of the government of Quebec. The Canadian government cannot accept that and as I said a moment ago the other provinces would not accept

[Mr. Demers.]

such an injustice and everything would have to be renegotiated. So there was only one solution left and that was to reduce the federal income tax of Quebeckers. As we intend to inject money right now into the Canadian economy, we have therefore decided to give each Quebecker a cheque of up to \$85, depending on the income tax he has paid in 1977.

We hope this measure will prompt Quebeckers to consume more goods in order to create jobs. We are also convinced that this measure is one of last resort because there was no choice left since we have not been given that choice and we think that this measure will not bring about the expected benefits the three percentage point reduction of the sales tax on all items would have brought about. However, if by any chance there is still time, I would like the government of the Parti Québécois to revise its positions before this bill is passed and to decide to reduce its sale tax by the two percentage points which the federal government is willing to pay and thus all Quebeckers, even those who do not pay income tax, would benefit from this measure.

● (2122)

[English]

**Mr. John C. Crosbie (St. John's West):** Mr. Speaker, in starting my remarks this evening I want to point out first that the Minister of Finance (Mr. Chrétien) when speaking yesterday—he should not leave because he is going to receive some good advice if he stays—as recorded in *Hansard* at page 5524, said:

What I am surprised at is that the opposition, even in the Quebec assembly, make no suggestions as to how to solve this question. They just blame the government. At no point since the beginning of this debate have we received any suggestion on how to resolve this.

That is really laughable and if the minister is listening, as I hope he is, I will tell him how easy it is. I will quote to him a man of whom I had never heard before, an American named Guterman, who said something very wise, and I came across this only today. He said: "Admitting error clear as the score, proves you wiser than before." That is all the Minister of Finance has to do to cure the whole situation. The government has made a bad error and the Prime Minister (Mr. Trudeau) seems determined to lock them in the error. I think the Minister of Finance has somewhat more flexibility than the Prime Minister. All he has to do is to admit the error and say that the federal government went about this in the wrong way. He should admit that they did not really try to consult with the provinces; that they did not have it worked out with Quebec when he brought his budget down on April 10; that Quebec has outsmarted them, that Quebec has outfoxed them, that Quebec has been streets ahead of them in sagacity, intelligence, shrewdness, slyness, craftiness—far ahead of this mighty government here in Ottawa. They have been run around the ring, and Mr. Parizeau has had the old ring through the Prime Minister's nose and the Minister of Finance's nose right from the start. Just admit that. Let them admit they made an error and are destroying national unity,