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## FEDERAL-PROVINCIAL ECONOMIC POLICY

*The following is part of a statement by the Minister of Finance, Mr. Mitchell W. Sharp, to the Tax Structure Committee in Ottawa on September 14:*

...It is evident to us that the federalism of the future must recognize, even more than the federalism of the past, that intergovernmental arrangements must serve the two purposes which concerned the Fathers of Confederation. One was to establish a federal system which would define the roles of the federal and the provincial governments in the management of the public affairs of Canada. The other purpose was to provide the means for promoting the social and cultural development of our two societies, a goal which has come to include the cultivation of the enriching heritages that have come to us from other lands. In this twofold purpose lies the uniqueness both of the spirit of Canadian federalism and of the intergovernmental arrangements which our system calls for.

### FEDERAL, PROVINCIAL ROLES CHANGE

It will be equally self-evident, I think, that the economic and social developments of our first century have changed substantially the roles both of the federal and the provincial governments, and the inter-relationship between these roles. The Depression, the war and then the years of reconstruction taught governments everywhere that they must assume the new and difficult task of managing their economies, in the interest both of full employment and balanced economic growth, and the Federal Government assumed the primary responsibility for this role in Canada. These years taught us, too, that Canadians everywhere want and expect certain basic government services wherever they live, and that they expect

their federal and provincial governments to find the methods by which this can be achieved.

It was during these years, too, that the role of the provinces was similarly enlarged, by the expectations imposed upon them by the people of the provinces, by the technological changes and urban developments which created new needs, and by the renewed realization of provincial potential by provincial politicians. So the responsibilities of provincial governments grew both in scale and in scope, involving programmes in the fields of health and welfare, education, urban development, transportation, and resource and economic development.

Out of these developments emerged still another and a different role for the Federal Government, and new interpretations of the role of the provinces. The Federal Government assumed the responsibility for ensuring that the poorer provinces should, through a system of equalization payments, be put in a position to finance their new and heavier responsibilities. The provincial governments, in turn, exercised both their taxing and spending powers in such a way and on such a scale as to increase, in practical terms, both their fiscal powers and their influence over the nation's economy. In the process of these changes, many of the programmes of the federal and the provincial governments, each of them acting within its own constitutional domain, have come to overlap, with the consequent need for harmonization of government plans and programmes.

These are the forces the federalism of the future must accommodate. We must somehow fashion machinery which will permit a strong Federal Government to accomplish the economic and social responsibilities which properly belong to it, but without impairing