

Federal-Provincial Relations

tion as broad and diverse as the Canadian one. The federal program for equalizing provincial revenues provides one example of this type of situation. The federal government has found that most provinces try to look at matters such as this objectively, including those that derive direct benefits and those which do not. Nevertheless, differing viewpoints will emerge and it falls to the federal government to try to reconcile these and to set a course which will accord as closely as possible with the national interest. At times, this task of reconciliation of the interests of divergent regions can be a difficult one, and any national government which approached this in a spirit of intransigence would be foolish indeed.

Mr. Speaker, I should touch upon the reference in the resolution to unilateral decisions. In one sense, of course, decisions are taken unilaterally. Federal policies are implemented pursuant to federal statutes and these are enacted by the Canadian Parliament. Is this what this resolution means by unilateral? If so, it is being suggested that federal legislation should be enacted by some body other than Parliament? Or is it being suggested that Members of Parliament ignore regional needs when they vote upon an issue? If these viewpoints are being put forward, I must emphatically reject them.

Perhaps, however, the resolution is intended to imply that the federal government is taking unilateral decisions and then somehow forcing these through Parliament. Mr. Speaker, I cannot accept this interpretation. As I have just said, where provinces are affected by federal legislation, there is invariably an opportunity for them to make their views known. Usually this opportunity is provided both before and after legislation is introduced in Parliament. This government will continue to provide these opportunities. This government will not take decisions without ascertaining what provincial views are or without considering how they may best be taken into account. This government will never ignore the views or the needs of the provinces.

Finally, Mr. Speaker, I come to the allegation that the federal government is not making enough funds available to the provinces. This is an argument which we frequently hear in Canada. It arises, no doubt, because of the rapid increase in needs for many of the services which are provided by provincial and municipal governments in Canada. Thus during the post war era there have been greatly expanded needs for elementary, secondary and post secondary education, for hospitals, for medical services, for pollution control and various other services which fall primarily to the provinces.

The provinces and municipalities have, in fact, enormously expanded their expenditures to meet these needs. Thus total provincial-municipal expenditures have increased from approximately \$2.3 billion in 1951 to \$5.4 billion in 1961 to \$18.1 billion in 1971. At the same time, their share of total government expenditures has expanded markedly. On a national accounts basis, this share was just slightly over 40 per cent in 1951, increased to nearly 50 per cent in 1961 and reached approximately 60 per cent by 1971. The federal government has not stood in the way of the provinces and municipalities when they looked for funds to finance these rapidly growing expenditures. Rather the federal government has moved on a broad

[Mr. Mahoney.]

front to provide help. This has been done in many ways. First, the federal government has made tax room available to the provinces by repeated cuts in its own taxes during the past two decades. Thus during the postwar period the reduction in federal personal income tax to make room for the provinces was successively increased from a low of 5 per cent up to 28 per cent by 1967. This reduction was built into the reformed income tax system which went into effect this year. However, the provinces have been free for some years to impose personal income taxes at whatever rates they wished, and not only have we collected this fast growing tax for them but we have done so free of any charge. Other federal taxes have been reduced as well. The reduction in corporation income tax has been doubled from 5 per cent to 10 per cent, and the federal government has terminated its taxes in the field of death duties.

• (1640)

I should like to refer to the U.S. President's Advisory Committee on Intergovernmental Relations which, in a report to the President of the United States just last year, said that Canada's "tax sharing strengthens the fiscal capacity of the provinces within the Canadian federation" and that it has "gone a long way in reducing the general revenue imbalance."

Most of the remarkable gains chalked up by the provinces during the 1950's and 1960's can be attributed to the willingness of the federal policymakers to negotiate with provincial leadership, and the decision to share their prime revenue source with the provinces. Much of the expansion in provincial-municipal revenues has occurred during the period since 1963 when the Pearson government took office in Ottawa. In 1963 provincial-municipal revenues from taxation were \$4.8 billion. By 1971 they had increased to \$13 billion. That is a remarkable increase, and much greater than that experienced by the federal government itself.

Apart from tax reductions and tax collection services, the federal government has helped the provinces and municipalities through very large increases in transfer payments. These transfers have been of various kinds. Large sums have been transferred under shared cost programs. These programs have enabled the federal government to share approximately one half of the cost of financing those fields where expenditures have been escalating most rapidly, notably including post-secondary education, hospitals, medical care insurance and welfare. Many of these programs were started since 1963, including the Canada Assistance Plan, the post-secondary education program, and medical care insurance. In addition to these shared cost programs there have been various special expenditures or loan programs relating to pollution control, betterment of the environment, housing, and regional economic expansion. Many of these programs were started just in the past few years.

Finally, Mr. Speaker, there have been large increases in unconditional transfers, particularly in equalization payments to provinces with below average tax capacity. The equalization program has provided a financial underpinning to seven provinces which are presently in this position and has enabled these provinces to provide their citizens with a level of expenditures closely similar to that