

Interim Supply

probated. However, the deceased may have moved there only recently after his retirement, and the estate on which the heirs are paying succession duty may have been earned in many parts of Canada or may have been earned entirely in some other province of Canada.

The whole basis of confederation was the assumption by Canada of a responsibility for the less industrialized areas. The maritimes came into confederation with the understanding that their particular situation would be recognized and appreciated. For nearly 100 years it has been national policy in this country to develop the great central industrial heartland of Canada by means of subventions, freight subsidies and a whole variety of programs. I am not complaining about that at this particular time. I am simply saying that if national policies have made some parts of Canada more prosperous than others, then it is the function and responsibility of the federal government to redistribute some of the tax revenues collected in the wealthier provinces, much of which may have been earned in other parts of this country.

Now, Mr. Chairman, I do not think anyone in this house needs to argue for the principle of equalization. It is a principle that has been accepted by all parties quite fully, and the present government has made its position clear in a great many cases. I could give many illustrations, but let me refer to my favourite book and my favourite author, "The Liberal Party" by J. W. Pickersgill. On page 133 of this book which sets forth the Liberal program it says:

We do believe, however—

I am sorry; I have got the wrong page.

An hon. Member: And the wrong book.

Mr. Douglas: I have got the right book. The page is 125, and it says:

At the national Liberal convention of 1958 the party pledged itself to alter the basis of equalization payments so that revenues of all provinces from income taxes and succession duties would be brought up to the level of the province having the highest per capita revenue. This principle was reaffirmed at the national Liberal rally in 1961.

I will not take the time of the committee to quote the statements of the Prime Minister as they have appeared in *Hansard* from time to time. I need only refer to his opening statement at the federal-provincial conference this week when he said, according to the text which was circulated:

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.

In my opinion the government was perfectly sound in suggesting its original

proposal that the best equalization formula would have been to equalize the three tax fields, income tax, corporation tax and succession duties, up to the per capita level of the highest province. That would be a fair system of equalization, and what I hope the government will explain is why it has now departed from a principle which it enunciated in the House of Commons, which the Secretary of State enunciated in his book "The Liberal Party", which it passed at its convention, and which the Prime Minister himself referred to the other day in his opening speech to the conference. Why has the government departed from this and introduced a formula which detracts from equalization?

First of all it suggests equalizing income and corporation taxes up to the level of the average of the two highest provinces. Second it introduces a factor of income from natural resources. Why natural resources? If we are taking into consideration the other tax revenue sources of the provinces, why not include all other sources of taxation? But more serious still is the fact that the government has introduced another factor into the formula. The government is now going to raise the share which the provinces can get of the succession duties from 50 per cent to 75 per cent, but this additional revenue is not to be included when computing the equalizing payments. I hope the government will tell us why it has discarded the formula to which it was pledged, a formula which was reasonable, fair and just, and has instead adopted a formula which is a departure from the principle of equalization. It is not because of the cost involved. To have raised the equalization payments for the three tax fields to that of the wealthiest province on a per capita basis would have cost the federal government about \$90 million. The formula which is now being placed before the provinces by the Prime Minister will cost about \$87.5 million. Therefore it is not a matter of cost.

I say that this new formula is a rigged formula. There is some reason that the government has decided to load the dice, and I want to know who twisted the government's arm. I want to know who it is we are trying to curry favour with, at the expense of the whole principle of equalization. Let me just put on the record the additional revenues which will come to the provinces as a result of this new equalization formula. I will give them in round figures, and I believe they are reasonably accurate. They are Newfoundland \$3,282,000; Prince Edward Island \$599,000; Nova Scotia \$5,742,000; New Brunswick \$5,558,000; Quebec \$42,716,000;