

mine on its own the rate of its taxes. Under the present arrangement, if the federal Government had to increase its personal income tax rates, it would have to do so for the benefit of the provinces even if the latter did not need to raise theirs. It is the same thing in the case of a tax cut. The reductions the federal Government has been able to grant in its tax rates were for the benefit of the provinces. In other words, the federal Government has never been able to take credit for tax reductions. Therefore, I agree completely with Senator Hayden. I intended to express such views and that is why I was so happy when I heard him do so a few minutes ago.

Now, there remains another area about which I want to say a word and that is equalization. I have already indicated that I do not see how, in the immediate future, it would be possible to abolish this system tending to equalize the income to enable provinces with lesser means to provide minimum services to their people. I believe in the interdependence of provinces. The richest provinces should help those who are less prosperous; this is essential to the survival of Canada. I should like, however, that this question of equalization would not include only the matter of services. It happens too often that the federal Government competes with the provinces. I shall simply mention the student loans legislation passed ten days ago, which is a typical case where the federal Government competes with the provinces in a field where they had already taken the lead. Instead of taking such an initiative, the federal Government should have convened the provinces and considered with them an equalization formula or an adjustment of the existing formula, so that the provinces might provide approximately the same service in this field to their own people. That method should have been followed earlier instead of setting up an assistance scheme for students which once again comes into conflict with one that exists in nine provinces out of ten, because it has been established, I think, that Newfoundland is the only province which has no students' loan plan.

That is why I say that the intricacies of fiscal relations between the central government and the provincial governments are linked to the problem of the apportionment

of responsibilities between the two levels of government; therefore, it becomes more and more necessary to define and redefine the division of powers and responsibilities. If we are unable to decide what comes under the jurisdiction of the provinces, on the one hand, and of the federal Government, on the other, fiscal relations between the federal Government and the provinces will never improve and we will remain lost in the jungle which Senator Hayden described earlier.

Senator Hayden told us that he believes in a strong central government. I am not sure that this is the right answer. After the war, we had, under the tax agreements system a strong government which was able to take action alone. The provinces could not face their obligations in their own field, and that is why the central government gave grants to the universities, for instance, thus entering a field which was under exclusive provincial jurisdiction.

I, therefore, think that clear definitions of the responsibilities of governments must be looked for. In any case, the federal Government should recognize that its first responsibility is to mind its own business. Of course, it must come to the aid of provinces when they have responsibilities without having the income to meet them. That is the principle of equalization, but let the federal Government refrain from entering directly into fields which do not concern it.

As far as the letter of the British North America Act is concerned, if certain provincial responsibilities are to be transferred to the federal Government, negotiations should be undertaken previous to such a transfer. But amendments to the Constitution should not be made indirectly as, I think, has been done in recent years.

In any event, honourable senators, such are the few remarks that I felt I had to make as regards this bill. I recognize that the subject is a vast and complex one, that it would perhaps have called for a better prepared speech on my part, but I hope, nevertheless, that I have succeeded in expressing my main ideas on this matter.

(Text):

**Hon. G. Percival Burchill:** Honourable senators, I expected some further contributions to the debate today. In the event that this measure might be passed this afternoon, I wish to make a few remarks now.