

In many areas, the federal and provincial governments are responsible for parallel action within their respective jurisdictions. Each must operate in its own sphere of jurisdiction, and respect the other sphere. That is essential to both the letter and the spirit of our constitution. But it is equally essential that, in discharging the modern responsibilities of government, our parallel action should also be, in an important measure, concerted action. And concerted action means that there should be consultation and co-operation. Such consultation and co-operation can be effective only if they are mutual, working in both directions.

#### CO-OPERATIVE FEDERALISM

This is essentially what I have had in mind when speaking about the need for a "co-operative federalism". This new approach means several things. It means, first, a mutual respect for the jurisdictions and the responsibilities of Canada and of the provinces. It means, secondly, timely and reliable two-way consultation as the basis for co-ordinating the parallel action which Canada and the provinces must take on matters of common and overlapping interest. Thirdly, it means that, if and when certain tax fields are shared, this should be done in a manner appropriate to the respective responsibilities of federal and provincial authorities. And it means, fourthly, assurance that this sharing not only is equitable between the Federal Government and the provinces generally but also is equitable among the provinces themselves, so that each separately can discharge its own responsibilities....

#### EMPLOYMENT POLICIES

In the last six years, unemployment in Canada has been close to double the average level of the earlier years of the 1950's. Since 1957, we have twice experienced periods that have failed to produce full employment even when the economy was expanding. Therefore, as you know, the Federal Government has been taking special measures to combat unemployment and promote greater employment opportunities, even though the economy has of late been showing more strength than had been commonly expected....

Unemployment is a nation-wide problem, reflecting the operation of the whole national economy. But you have a direct concern with it and are developing various programmes of your own to improve the situation. We shall be very glad to hear more about these provincial undertakings. The success of our joint and separate efforts in dealing with unemployment and manpower development depends on co-operation between us, as well as on the effective promotion of their programmes by both the Federal Government and the provinces. We will, therefore, be more than willing to discuss areas of joint responsibility and consider together programmes which affect unemployment and manpower development.

#### INDUSTRIAL AND ECONOMIC DEVELOPMENT

In the modern industrial economy, full employment in Canada increasingly depends on the development and expansion of our secondary manufacturing industries. It was for this reason that we decided to

set up a Department of Industry. In the past, the Government of Canada has established various departments to deal with particular sections of the economy — such as Agriculture, Fisheries, Forestry, National Resources, Mines, Transport, etc. The establishment of these departments has never been an expression of or a claim for prior or exclusive jurisdiction by the national government. It is simply the recognition of the fact that federal action can have a profound and varied effect on these sectors of our economy. A major purpose of these departments have been to build up a body of knowledge in their fields, so that action which Canada properly should take will be better informed and more effective action. Where appropriate, it is action in consultation and co-operation with the provinces.

The creation of the Department of Industry must be considered in this light. It is a recognition of the important role which manufacturing industry plays in the development of our economy and the promotion of employment, and therefore of the need for the Federal Government to have a focus of knowledge for the actions, within its own sphere of responsibility, which affect industry.

Manufacturing industry is, of course, of tremendous importance to both the federal and provincial governments. In its programming and activities, the Department of Industry will take full account of the extensive interests and responsibilities of the provinces in this field. We are ready to take the lead in matters within our jurisdiction and where the national interest so requires. Where the provinces have a primacy of interest, we stand ready to provide such assistance as we can and as the provinces request....

#### JOINT PROGRAMMES

The subject of "conditional grants and shared-cost programmes" has been placed on the agenda at the request of a number of provinces. The beginnings of these programmes go back for nearly half a century of our history. They developed more rapidly during the depression and most of all in the flush of post-war prosperity. They have largely taken the form of conditional grants for specific purposes made to the provinces by the Parliament of Canada. They have been a well-recognized method of making a federal system work, not only in Canada but in other federal countries. They have made an essential contribution to the economic and social progress of Canada. They have established common standards for many important services, as a result of which the Canadian people today are far better off, and healthier, than they would have been in the absence of such programmes.

But there are few devices so good that they do not in time require re-examination. So we have now reached a stage at which it is wise, in the interests of effective co-operative federalism, to take stock and consider whether some of these programmes should be changed in favour of a full assumption of provincial responsibility, if that is the wish of the provinces....

The concept of equalization is, I believe, necessary to co-operative federalism. Without that concept some of the provinces could not adequately discharge their responsibilities. With the right kind

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