

for a principal residence or the capital gains exemption for selling your farm or a small business.

We are talking about the speculative capital gains exemption for playing the stock market. We would eliminate it because over 60 per cent of the benefits of that tax break go to people whose individual income, not their family income, is—believe it or not—over \$100,000 a year.

We would gain \$1 billion by getting rid of the tax deduction for entertainment and \$2 billion by eliminating the capital gains tax exemption. We would transfer that money to expenditures on transfer payments to the provinces and that would see to it that the Canada Assistance Plan would be fully funded at 50 per cent for every province across this country, as should be the case.

Mr. Jack Shields (Parliamentary Secretary to Minister of Employment and Immigration): Mr. Speaker, I was very interested to hear the member.

The transfer to the provinces is distributed on a 50 per cent basis under the CAP. There is absolutely no control of how the provinces increase their program spending.

We have a situation in which the federal government is reducing its program spending and the provinces are increasing theirs, and increasing the demand on the federal treasury.

I would like to ask the hon. member how to control the spending under the transfer payments if provinces are allowed to continue their program spending and increase it by as much as 12 per cent when the federal government is reducing program spending, or holding it in line at 2 per cent, 2.5 per cent or 3 per cent?

Mr. Langdon: Mr. Speaker, let us not try to rewrite history. The Canada Assistance Plan provides 50 per cent support for agreed programs. No provincial government can establish a new program and the federal government simply has to pick up 50 per cent of it. These have to be agreed programs between the federal and provincial government. They have to be agreed programs.

What has actually taken place is that the provinces have been faced with increased welfare payments be-

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cause the federal government unilaterally decided to change the unemployment insurance system. It decided that it would see that people moved off unemployment insurance much faster.

At the same time, it created a situation with the free trade deal whereby there were far fewer jobs and much more unemployment. The result was that in province after province, welfare costs have skyrocketed, through absolutely no fault of the governments themselves.

In fact, the Government of Ontario, to take just that example, has put a much tighter level of limitation on increases in welfare payments per individual than has been done by the federal government with respect to any of its programs. There has been a very direct and strong effort to control expenditure per person but the number of persons has increased dramatically, as I have said, in the city of Toronto by over 29 per cent because of this federal government's policies.

The government then turned around and said: "We are going to put a cap on the Canada Assistance Program". The result has been that the very increase in payments created by this government has had to be paid for, not by this government that caused the problem, but instead by the provinces that did not cause the problem and yet are left having to pay the bill.

Mr. Jim Karpoff (Surrey North): Mr. Speaker, I am pleased to enter into this debate. It is a critical debate, looking at the federal government's involvement in transfer payments. We have to look at the place of transfer payments within the Canadian federation.

Transfer payments have become an integral part of the concept of what Canada is. It is part of the glue that holds this country together, in which the federal government on behalf of the provinces collects money and redistributes it to those provinces for a number of programs. It redistributes it for health care and post-secondary education, in terms of the Canada Assistance Plan for income assistance, child welfare, child protection and equalization payments in which it basically raises money from the wealthier provinces and redistributes it to the poorer provinces so they have the opportunity of providing their citizens with the same services and resources the more wealthy parts of Canada have.